



# Iran's Ayatollahs Want a New Deal

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Make no mistake. Whatever they might proclaim publicly, Iran's leaders are desperate for a new diplomatic agreement with the West.

In recent weeks, Iranian officials have redoubled their efforts to convince the new administration in Washington that the policies of its predecessor were an abject failure—and that the Islamic Republic remains unbowed. Behind the scenes, however, a very different situation has unfolded.

As a new exposé from the *Financial Times* makes clear, economic conditions within the Islamic Republic have deteriorated precipitously since the start of the Trump administration's "maximum pressure" policy in mid-2018. Over the past three years, the *Times* notes, the number of Iranians in extreme poverty has increased fivefold, with millions more joining the ranks of the impoverished in 2020 alone. That trend has been exacerbated by inflation, which now stands at nearly 50 percent. The cost of staple goods and foodstuffs has soared beyond the ability of ordinary Iranians to pay.

"More than 60 percent of Iranian society live [sic] in relative poverty because the workers' wages are enough for about a third of their costs of living," Faramarz Tofghi, the head of the wages committee of the Islamic Labour Council, tells the *Times*. "Half of those who live below the poverty line struggle with extreme poverty."

This state of affairs has potentially far-reaching consequences for the Iranian regime's hold on power. "After the pandemic, if the Islamic Republic cannot curb poverty, it could face political and social instability," Iranian economist Saeed Laylaz lays out. This is especially true because the Iranian regime has consistently favored foreign adventurism over domestic prosperity—and those skewed priorities have become a major bone of contention between the country's clerical elite and its captive population.

Iran's Ayatollah Khamenei and President Rouhani BEHROUZ MEHRI/AFP via Getty Images

All of which helps explain the Iranian regime's eagerness for renewed dialogue and negotiations with the Biden administration. After all, the original 2015 nuclear agreement (formally known as the Joint Comprehensive Plan of Action) provided Tehran with a much-needed economic lifeline, as relaxed international sanctions and hundreds of billions of dollars in direct and indirect relief helped stabilize the Islamic Republic's ailing economy.

But that money also did much more, setting Iran's regime on a path of sustained strategic expansion. According to Pentagon estimates, between 2015 and 2018 Iranian defense spending rose from \$19.5 billion (4.3 percent of GDP) to \$27.3 billion (6.1 percent of GDP). Iran also broadened its already extensive network of proxies through the creation of a "Shi'ite Liberation Army" of militants from Afghanistan, Yemen, Pakistan, Iraq and elsewhere, who were trained and equipped by Iran's Islamic Revolutionary Guard Corps and deployed to foreign theaters such as Syria. The Islamic Republic's involvement in other regional conflicts (such as Yemen's protracted civil strife) likewise deepened.

In other words, Iran exploited the benefits of the nuclear deal to improve its regional position and strategic capabilities. At least, that was the case until "maximum pressure" helped reestablish Iran's international isolation and limit its economic reach.

Now, Iran's leaders are clearly hoping to recreate those earlier, more favorable conditions with the help of the new administration. And they may have a chance to do just that. Already, some have argued that preemptive concessions are a necessary show of good faith to bring Iran's leaders back to the negotiating table. Iranian officials agree, and—through articles, editorials and media interviews—have tried to convince the Biden administration that the very best Washington can hope for in new talks would be a return to the arrangement of a half-decade ago. Moreover, they insist, even that modest goal will require massive sanctions relief and economic inducements on America's part.

Tehran, however, doesn't hold all of the cards. On the contrary, domestic indicators make clear that Iran's ayatollahs actually need a new deal (and the economic dividends that will flow from it) much more than their American counterparts do. That should be something for the Biden administration to keep in mind as it contemplates reengagement with the Iranian regime. For, quite simply, it is President Biden—not Iran's leaders—who has the upper hand.

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