

Iran's Economy In Free Fall

by Hugh Fitzgerald



Iran's economy has been suffering greatly from the Trump Administration's re-imposition of sanctions. Majid Rafizadeh recently provided a report on just how bad things have become for the Islamic Republic: "Iran's Mullahs are in Turmoil Thanks to America's Current Policy," [Gatestone Institute](#), November 2, 2020:

...Iran's currency, the rial, [lost](#) more than half its value so far just in 2020. That decline makes it one of the most worthless national currencies in the world. As of October 25, the rial traded on unofficial markets at 300,500 to the US dollar. The rate has pushed the Iranian authorities to agree on removing four zeros from its currency, which has gone into a virtual free-fall. Two years ago, one US dollar was [worth](#) nearly 30,000 rials.

The rial has, in just two years, lost 90% of its value, and it is still dropping. This makes it almost impossible for Iranians to afford goods from abroad.

The plummeting currency has also increased the demand for US dollars and gold. Even Iran's state-run Mardom Salari Daily [warned](#):

"We have an extremely failed and fallen economy. The main reason is the currency shock and the plundering of the economy by semi-private companies and banks. Sanctions have become an excuse for some people to plunder the country. We suffer from both foreign and domestic sanctions and those who profit from this situation."...

The regime's mouthpiece, the *Mardom Salari Daily*, puts all the blame for Iran's failed economy on sanctions from abroad – that is, the hated Americans – and on those inside Iran, in "semi-private companies and banks," that with their access to dollars are supposedly buying up Iranian assets very cheaply. Nothing is said about the mismanagement and corruption of the regime, of course. Not a word about the \$250-billion business empire of the Supreme Leader, or the sums to which other high-ranking clerics and military men have helped themselves. Nor is there any mention of the huge amounts that Iran, while suffering economically, continues to send or spend abroad, on its proxies and allies. Iran supports with money and weapons the Houthis in Yemen in a war that has been going on for five years with no end in sight. It supports certain Shi'a militias, including Kataib Hezbollah and Hezbollah al-Nujaba, in Iraq. Iran has spent more than \$30 billion on its support for Bashar Assad in the Syrian civil war. It has provided enormous amounts of expensive weaponry – including 150,000 rockets and missiles – and money, to Hezbollah in Lebanon. It also sends aid to Hamas in Gaza. All of this expensive adventurism abroad is well known to Iranians suffering from economic distress;

protesters in Iran have shouted “No to Gaza, no to Lebanon” and “Leave Syria and think of us.”

In the last two years, Iran’s oil exports have fallen by 96%. What’s more, the price of oil has been steadily sinking as well, ever since the Saudi-Russian oil price war. In 2019 the price of a barrel of oil was \$57; in 2020, it had fallen to \$38.75, and at one point this year had even dropped to \$11.28. And since oil has been relied on by the government for 30% of Iran’s fiscal budget, Iran is now desperate for funds. In March it asked for an IMF loan of \$5 billion to help fight the coronavirus; the U.S. blocked the loan, noting the sums that Iran continued to spend on its allies, who include the Houthis in Yemen, Kataib Hezbollah and Hezbollah al-Nujaba in Iraq, Bashar Assad’s forces in Syria, and Hezbollah in Lebanon. As the Americans saw it, Iran had made clear its priorities, and would have to live with its choice.

As a result, the ruling mullahs are [facing](#) one of the worst budget deficits in their four-decade history of being in power. Iran’s regime is currently [running](#) a \$200 million budget deficit per week and it is estimated that if the pressure on Tehran continues, the deficit will [hit](#) roughly \$10 billion by March 2021. This deficit will, in return, increase inflation and devalue the currency even further...

A deficit of \$200 million a week times 52 weeks amounts to an annual deficit of \$10.4 billion. Meanwhile, the value of Iran’s oil exports, which once amounted to tens of billions of dollars annually, has fallen to less than \$4 million a day, or \$1.46 billion for the entire year.

Iran’s militia groups are subsequently [receiving](#) less funding to pursue their terror activities. This shortfall may be why, for the first time in more than three decades, Hezbollah’s leader, Hassan Nasrallah, [made](#) a public statement asking people to donate money to his group. “The sanctions and

terror lists,” he [pointed](#) out, “are a form of warfare against the resistance and we must deal with them as such. I announce today that we are in need of the support of our popular base. It is the responsibility of the Lebanese resistance, its popular base, its milieu,” to battle these measures...

For Hassan Nasrallah to ask publicly for donations from his long-suffering “people” was both hypocritical – think of his own \$250 million fortune – and pitiable, a tacit admission by Hezbollah that Iran has slashed the funds it formerly supplied to the terror group.

It’s not only Hezbollah, but the Houthis who have been asking for the public to donate to their cause, for they, too, have had their Iranian subsidy decreased. The same diminishment in financial support from Iran is no doubt being felt keenly by Bashar Assad, on whom Iran has already spent \$30 billion and, as Assad now controls more than three-quarters of the country, Tehran no doubt feels it can safely cut back on his funding.

Facing significant financial problems, Iran’s Supreme Leader Ayatollah Ali Khamenei, in October 2020, surprisingly [ordered](#) all factions of Iraqi armed groups to stop attacking US interests in Iraq, [according](#) to Middle East Eye. A senior commander of an Iranian-backed armed group [involved](#) in the attacks told Middle East Eye, “Khamenei’s orders were straightforward and clear. All attacks targeting US interests in Iraq must stop”.

Khamenei’s interest is in having the American troops, now being reduced from 5,200 to 3,000, leave Iraq altogether. Thus he wants no more attacks on the Americans by the Iran-backed militias, which would only prolong the American military presence, and might even lead to a halt in the planned troop reductions. Without the American presence the Iraqi-backed militias, it is assumed, will be largely unopposed and thus need less financial support from Iran.

The Trump administration also triggered snapback sanctions against the Iranian regime. That act will put further pressure on the ruling mullahs in spite of the fact that other members of the UN Security Council opposed Washington's move. As a prominent cleric, Saïd Lavasani, head of Lavasan's Friday prayer, [acknowledged](#) regarding the regime's defeat:

"Activation of the trigger mechanism means the defeat and complete death of the JCPOA (the Joint Comprehensive Plan of Action, a/k/a the Iran nuclear deal), which means the path that we went with for seven years and on which we put all the facilities of the nation, now we must return that way. The mechanism of the Security Council is such that it allows the United States to take such an action, which, although China and Russia have formally opposed it, implicitly acknowledges that a new legal challenge is emerging in the Security Council that will lead to long discussions, of course, it is not in our interest."...

Iran's ruling mullahs desire to maintain the JCPOA. It not only provided their regime with many benefits, including economic relief and global legitimacy; at the same time, it ignored Tehran's military adventurism in the region, its ballistic missile program and its support for terror groups across the Middle East. Most importantly, the JCPOA also paved the way for Tehran ultimately to become a nuclear state.

Thanks to the Trump administration's re-imposition of sanctions on Iran two years ago, the regime of the mullahs is now running on empty. A 96% drop in oil exports in two years, and at the same time a drop in the price of oil, a 90% drop in the value of the rial in the same period, a budget deficit currently amounting to \$200 million a week, are the signs of financial ruin. Iran has in response to this crisis had to slash its subsidies to the terror group Hezbollah and to the

Houthis, but that will save very little compared to Iran's needs. Hezbollah, the largest recipient of Iran's aid, has seen its yearly subsidy of \$800 million cut, analysts suggest, down to \$500 million. Trump's economic war against Iran has been a complete triumph,

But what happens when, as seems likely, Biden assumes the presidency? Will a Biden presidency pull Iran's chestnuts out of the fire? Will he end the sanctions on Iran, allowing a rise in Iranian oil exports, which in turn will give Iran more funds to support terror groups like Hezbollah? Or can Biden be convinced that the sanctions are working, that Iran remains the most dangerous threat to our ally Israel, and to our quasi-allies among the Gulf Arab states, and – let's not forget – Iran also remains a threat to the "Great Satan," the United States. The Trump administration's economic pressure has proven to be the ideal way to undo the Islamic Republic, and its financially dependent proxies like Hezbollah, without going to war in Muslim countries. For such wars in Muslim lands, as our experience with tarbabies Iraq and Afghanistan show, turn out to be colossally expensive and do not accomplish very much. Perhaps Biden can be persuaded to stick with what is working so well, even if this relentless economic pressure on Iran is a policy formulated by the much-maligned Trump Administration.

"Wonders never cease" – often have you heard that told. Could Biden come to his senses about Iran? Most doubtful. But we can only hope.

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