



Title: Iran's Nightmare: No War, No Relief

September 10, 2026

Featuring Miad Maleki

Hosted by Mark Dubowitz

DUBOWITZ: Welcome back to *The Iran Breakdown*. I'm your host, Mark Dubowitz, and today we have a return guest, my colleague and friend, Miad Maleki, who's back on the show. I couldn't think of a better person at a better time to explain what is going on with Iran, this economic warfare campaign, the details, the benefits, the risks. Miad led the Iran sanctions program at the Treasury Department for almost a decade. Prior to that, he worked at US Central Command and the US Air Force. He was born and raised in Iran, left Iran when he was 17, so is an expert on all things Iran and especially Iran's economy and how to actually squeeze the regime financially. So, Miad, welcome back to the show.

MALEKI: Thanks for having me, Mark.

DUBOWITZ: Yeah, it's wonderful to have you back. So, Miad, I want to start with the sort of basic question about where Iran's economy actually stands. I mean, give us the baseline before the blockade, before the war, how sick was this economy already?

MALEKI: Well, that's a great way to start the conversation. I think it's always helpful to go back and see how things were before the conflict and before the blockade and how things are today. It's really, as a good kind of way to start a conversation, I just want to lay out the status of sanctions because sanctions have been the most prominent US government's foreign policy tool to address the issue of Iran. At the same time, sanctions are not designed to be the only vehicle to get to foreign policy objectives. However, they've been very effective in containing Iran and they are times that I remind everyone that if you look at the success of this military campaign, the way that Iranian air defense system was dismantled so quickly, Iran's Navy was dismantled so quickly. So, shout out to CENTCOM, NAVCENT, Navy Central Command and our leadership over at Department of War.

But let's give sanctions some credit here. Sanctions are kind of the tools that US government has deployed for years now to really degrade the Iranian regime's ability to procure and develop capabilities that could have made things extremely difficult in a campaign that we just had. So that's the effect of sanctions. The fact that they couldn't have the technology, the deterrence that they thought they had to cause us pain and challenges in the conflict, that's kind of a credit that I think we should give to sanctions. Now, President Trump came to the office after four years of [a] very relaxed sanctions landscape on the Iran front. Sanctions were in place. So, to be fair, there wasn't a lifting of sanctions during the Biden administration, but sanctions are not as effective if they're not enforced, if they're not messaged properly, and if the market does not get a sense or doesn't feel that there's a risk of a sanction evasion.

And that's the environment that the sanctions evasion market around Iran sensed during the four years of the Biden administration. They had a different approach. The approach was to cutting or getting Iran to go back to the JCPOA, offered Iranians really strong incentive packages and Iranians kept walking away as you know. October 7th happened. And then we have the Trump administration that comes in and it's been only about two years now. Sanctions take much longer to really show their effect. The first Trump administration took us about two years to get out of the JCPOA, rebuilt the sanctions regime on Iran, and then we had the last two years of President Trump's first term to actually put sanctions to work and see the effect of sanctions. By the time that sanctions were biting, by the time that sanctions were showing their effect on Iran's export, that was the end of the first Trump administration.



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And we also were operating in a COVID, in a pandemic environment that had an effect on government's operations. And then four years of relaxed sanctions enforcement environment, President Trump comes in and now we have the sanctions back in place from the beginning of the second term of Trump administration. This current term, we saw the effect of sanctions very quickly in the domestic market, in Iran, on the inflation front, the rial value that has been on significant decline. And then you have the blockade that come into play and really accelerate[s] the effect of sanctions. It's really the sanctions that the maximum pressure campaign on a steroid, and that's what the blockade managed to do. It's the physical barrier that it put in place that really accelerate[s] the effect of sanctions. So, where we stand today, every day sometimes I look at your tweet on your posts on X about the rial, the status of rial before I look at other numbers.

But really that rial versus dollar or the rial value currently is at \$2.3 million for rial. I'm sorry, rial for dollar. And there's also a significant gap about 30 to 40% between the free market rate versus the Central Bank of Iran rate. That's a very important indication. I would like to talk about that in a little bit later if there's an opportunity. But these are the things that I look at, the gap between the CBI's center of exchange rate and the street rate and also the free market Toman. And that gap is a very important indication of where the economy stands and obviously the gasoline is station line. So, we have Iran has about 20 to 30 million liters of deficit in gasoline production, has 110 million liters a day of gasoline production capability, but the market demand is at somewhere between 130 to 150 million liters a day.

And historically they've been able to fill that gap with imports of gasoline and some of it from the north, from the Caspian side, from Russia and majority of the gasoline import came from the Indian gasoline that they were importing from UAE. Those two have been both cut. The Russians are now a major importer of gasoline thanks to the Ukrainians operations against some of the refining capacity in Russia. And let's remember, Iran is the force that fueled that conflict with its drones and enabled Russia to continue this war. And now they're paying for it because Russia is competing with Iran over gasoline purchases in the market. And at the same time, Iran has to rely on the Persian Gulf to import gasoline and the closure of the Strait of Hormuz, and the blockade have disrupted that flow. So, gasoline is one thing that I look at very closely because that's what's going to really break their back.

DUBOWITZ: Okay. So, I mean Miad, to summarize this, this has sort of been a slow-motion collapse that this blockade, the US blockade is very much accelerating. It's not really a crisis that the blockade created. I guess a lot of the structural damage had already been done. The sham privatization schemes that took state assets and put in the hands of the IRGC, who then the United States designated the massive energy under investment, a runaway inflation regime since probably 2018. All of this was in place long before the war. So, you really had a sick economy and serious crises, structural crises, and then the regime went into this war. But let me ask you this. I mean the standard critique, I guess for those who say sanctions don't work or are not working is that the regime survived the war, survival for the regime is victory. And after 47 years, the regime is still standing.

So, sanctions failed. How would you respond to that argument?



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MALEKI: Well, I think... I'm actually shocked when I witness that you see scholars repeating that sentence, that narrative that the regime survived, therefore they won the conflict. First of all, you and I know that despite some of the messaging from folks across the government, outside the government, you can't really launch an airstrike or air campaign and then expect some kind of a fall of the regime. As a matter of fact, during the conflict, the messaging was always don't come on the streets, there are airstrikes happening, stay at home. I think that the argument that the regime survived, therefore they're the victor of this conflict really comes down to this false assumption that the conflict, the campaign is started with a goal of somehow quickly a regime change, but really the goal was way more technical than that. So, if you want to have a technical conversation about where we stand currently, you got to look at really the goals of the campaign, which was the degradation, degrading the regimes, missile built up, the nuclear program, the enrichment activities.

And whether you're looking at it economically, politically, militarily, you can't make the case that the regime has anything close to a win out of the current conflict. The cost to the US operations right now would stop. The cost meaning the day-to-day military operation costs will stop the day that we leave the blockade and we stop engaging with Iran. The cost that the regime has taken on is going to go on for decades. The loss in their structural military capabilities, the political loss, the economic loss that they're going to have to deal with for years, we have set things back by decades. I mean, the missiles capabilities that we have degraded, it took them 15, 20 years to build. The air defense system that took them 15 to 20 years. You remember during the JCPOA, the first thing they did, they started running to the Russians and getting the S300s.

You were a very strong voice back then about that concern. So, they were building these type of capabilities for decades and it took us about six months or so to completely remove that from the adversary that was building up in Venezuela and the drone and naval capabilities that could have been a direct threat to our national security, in addition to ongoing attacks against civilian infrastructure in the US through their cyber capabilities, our interests throughout the region. So, from all angles you look at it, it's a win for the US national security interests and a big loss for the regime in Iran.

DUBOWITZ: Okay. So, I want to get to... in the details about really how the regime funds itself and what exactly is breaking. So, this is a budget I assume that is obviously very tax heavy on paper and very oil dependent in practice. And the problem the regime has is that this blockade and that the cutoff from the UAE, which I want you to talk about in detail about what that means for Iran, but it's shrinking the tax base. So, VAT, customs, trade taxes, state company income, all of this at the same time that oil proceeds now are being trapped. Oil shipments are not going out. All revenues are being escrowed and frozen.

Walk us through how the Islamic Republic pays its bills and what does this year's budget assume? How far off is reality? Do taxes cover more than half the budget? If so, isn't that a form of economic resilience? And when oil revenue and trade taxes fall at the same time, where does the money come from and really what does that do to the rial? And then I want to get to a discussion more specifically because I have one question about when will the regime not be able to pay salaries for its government employees, its security forces on which the regime's survival depends?



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MALEKI: And that's a great topic. It's really, as you stated, the effect of the blockade on import and export and through the Strait of Hormuz where Iran realized about 90% of Iran's commerce really goes through the Strait of Hormuz. And that's why I always make this point that their closure of [the] Strait of Hormuz was an economic suicide operation. And if you look at that behavior of closure of [the] Strait of Hormuz and the targeting of the Gulf states, the way that those targetings were done, then you can really make very clear, you can have a very clear understanding if this is a regime that if they had a nuclear weapon, they're definitely capable of using a nuclear weapon. But putting that aside and getting to the core of your question, so we're looking at a budget that used to be on paper about 60% relying on oil and oil-derived revenue, and then the rest was taxation and customs and fees and those sources of income.

Over the course of the past 15, 20 years or I would say 15 years, the Iranian government really tried to cut back on the level of reliance, the level of relying on oil revenue and find different sources of revenue to rely on. Now they're making the argument that we only have 5% of government budget coming directly from oil and the rest are coming from other sources of revenue. But then if you look at the other sources, the National Development Fund, which they keep pulling loans out to run the government, that's oil.

The funding for the armed forces, half of the budget that goes to the armed forces is from oil, but they name it other things. They add other, kind of, descriptions to that budget. And then they have the taxation, which a big part of that also relies on oil sale and petrochemicals. So overall, you're looking at a budget that is 40% oil and oil-driven kind of revenue, and then you have about another 40% from taxation, customs and fees and 15% customs and fees. So, it's a budget that is broken today because of the blockade and the way that sanctions have really choked the repatriation of foreign currency from the sale of oil. And the economy that the domestic production is at the lowest level it's been since 1979 because of the war damages, because they can't really import catalyst and other chemicals and material and tools that they need to keep up with the domestic production needs.

So, both on taxation and oil revenue, they're in trouble. And the effect of it, it's not today. The effect of it is in the next two or three months when time comes for tax collections, when times comes for towards the end of the fiscal year kind of payout to the government agencies, it's really that's when you're going to really see the pain being felt in Iran by the Iranian government. But also remember, there was a phase we had the blockade that was not in place and Iranians managed to get a lot of oil out and some of that revenue, according to the regime's own statements, some of that revenue was used by the government to pay for imports. So, there was a disruption to the pressure campaign, but I think you're going to see the effect of it as far as the government budget in the next few months.

DUBOWITZ: So, Miad, a lot of people always ask me, so when is this regime going to run out of money and miss payroll? And have you said in the past that that's the wrong way to assess that? Why? What is the way that a regime like Iran's can continue to pay salaries? Because clearly a missed salary date is going to be very dangerous to this regime if all of a sudden October, November, December rolls around and they literally cannot pay hundreds and hundreds of thousands of members of the government and the security services at a time where the average Iranian is suffering. There's no doubt in my mind that Iranians are going to come back to the streets as they have repeatedly over the years, including in January of this year when about 15 million Iranians were on the streets, one in seven Iranians are actually there protesting.

What is this idea of can a regime run out of money or is this very much a regime that is going to use hyperinflation to its advantage?



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MALEKI: That's a great way to actually explain where I think things are going. What the regime is doing today, and obviously you can predict that because the last thing this regime cares about is their long-term economic interest or economic prosperity of Iran as a nation. So, what they're doing right now is they're really, what I would say, they're inflating away a payroll cut. So, they're basically allowing that inflation to absorb the effect of sanctions and the blockade as opposed to creating a situation that they have to cut salaries and that would turn into a shock in the market, the sudden shock in the market that would give rise to domestic grievances and uprisings. But what they can't do is inflating away an empty fuel tank, I would say. They can inflate away the payroll, but there are other shortages that are going to creep in and they're going to be turning into serious problems for the regime.

So, inflation tax is gradual, is a slow, is self-collecting, but then a missed salary date is something that would be a shock that can mobilize, I would say, masses inside Iran and cause some major problems. So, they're going to absorb it through inflation as opposed to they're just going to print rial. That's the way they're going to absorb this.

DUBOWITZ: Okay. So basically, there's going to be a steady erosion in the purchasing power of Iranians. They'll keep printing rials, which will drive down the rial-dollar exchange rate even further. I mean, I'm predicting that this will be three million maybe by the end of the year. It's two million, 2.3 million now. It was 70 to one on the eve of the Islamic Revolution if you just want to track the absolute collapse and the value of this currency. So, keep printing rials, keep fueling hyperinflation. Iranians are getting poorer by the day, but the regime doesn't actually technically miss a payroll that is a definitive date and a definitive event that could lead to a huge explosion on the streets from Iranians. That's your assessment?

MALEKI: That's correct. And the other kind of aspect, the other part of that strategy that they're implementing today is keeping the economy or managing the level of economic activities. One thing that I've been telling everyone is during the conflict when you had fighters jets flying in and dropping bombs and targeting RGC assets throughout the country, that was a war economy. That actually served the government's interest when it comes to economy because what it does, it really delays an increase in market demand or suppresses the market demand. Now, obviously those operations were very successful in degrading some capabilities that were direct threat to US national security. But if you look at it from purely just economic pressure point of view, the conflict, the day that the conflict stopped or there was a decline in military operations, that's when economy starts opening up. That's when you're going to see a market demand increasing and not suppressed by the state of [the] economy.

And that's bad news for the regime because then you have the inflation rate has started skyrocketing and that's where they are today. So, what they're trying to do right now is to really not opening up the economy completely. So, they're closing or they're shutting down some aspects of Iran's economy in a way that they can continue to suppress the market demand, but none of this is going to really help them in the long run. It's really a clock that is ticking much, much faster on Iran's side.

DUBOWITZ: Okay. So, I mean, if you're the regime, you can print rial, but I think as you alluded to earlier, you can't print gasoline and Iran is moving the overwhelming majority of its freight by truck. So, a fuel shortage is not just going to be an inconvenience, it's going to be a shock. A transport, food distribution, pricing shock. And the regime has a memory of what happened in 2019 when the fuel price increases led to massive protests that went on for months and months. You're seeing obviously the shortages now, you referenced that earlier. Maybe explain to our listeners and viewers, I mean, Iran is sitting on some of the largest oil and gas reserves on earth. How is it actually running out of gasoline and why would a fuel shortage hit Iran harder than it's going to hit other countries?



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MALEKI: Yeah, I mean, Mark, that's a question that I have too, but it really just comes down to how incompetent this regime has been in the past 47 years. And it really tells you their kind of spending priorities. For folks who I keep hearing showing some level of nationalism or concern about Iran's estate of economy and how sanctions are hurting the Iranian economic prosperity or how they're slowing down development in Iran, what they miss is the worst economic enemy, the worst enemy to Iran's economy is the regime sitting in Iran right now. It's not the sanctions, it's not the foreign governments who are putting sanctions to deter this regime's aggression. It's really the regime's incompetence itself. You, earlier, mentioned the sham privatization in early '90s. So that's when you have this rise of oligarchies-type economy in Iran. They started selling government assets, government businesses on paper to private companies, but the reality was the IRGC companies purchasing Iran's, a big portion of Iran's domestic production, manufacturing and lucrative industries.

And with that you have corruption coming. With that you have mismanagement coming. With that, you have the revolutionary objectives being put before the national interest in Iran. And what happens is where we are today. All of those decisions are now being put to [the] test. So, one great example, Mark, I was shocked because I wasn't aware of this, that when the blockade was put in place, that Iran only had about 28 to 35 million gallons of gasoline, I'm sorry, oil storage capacity. That is only 13 days of Iran's production that they can store domestically. And it's not about a state of war. It's about the only port that Iran uses to get 90% of its oil out, the Kharg Island. Anything can happen. They have some kind of a natural disaster. Anything can block that outlet of Iranian's oil export. And if that happens, they can only store oil for 13 days and then after that they got to shut everything in.

Now they got lucky because the line of the blockade was put outside the Persian Gulf as opposed to within the Persian Gulf, and they actually managed to use some tankers to keep buying themselves time. It's very clear right now that they have shutting some wells because the level of extraction has dropped to a point that it makes sense that they have really reduced the extraction level to the point that some of the wells are permanently damaged. Gasoline is another story. You said it very nicely. This is a country that should be a major exporter of gasoline, yet they're importing gasoline to feel for the deficit that they have, to address the deficit that they have. And it's an economy that 92% of their cargo logistics movements or supply routes in Iran depends on roads, depends on gasoline. 72% of their passenger traffic is through roads and gasoline because of the aviation sector having been suffering the same problems that Mahan Air and Iran Air, two leading airlines are the airlines that the regime is using for sending fighters and weapon systems to Syria or drone parts to Russia.

And what Western governments do, they do what's in the best national interest. So, they sanction these airlines because they want to stop that bad activity. And what happens, you have the aviation sector in Iran being grounded and then they have to rely more on gasoline and the lack of investment in the refining capacity and production for many years because they had other things they had to spend money on, sending funds in cash to Hezbollah and Hamas, helping Russians build missile and drone production facilities. It's really an ill economy, as you said, and it really just shows the past 47 years, as much as they said, 'death to America, death to Israel,' they took no steps to be prepared economically for a conflict.



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DUBOWITZ: Yeah, it's interesting to know any thoughts on the timeline and when this would become visible on the streets. I mean, I see that they're starting to put in price increases in a staggered way, and one wonders in the wake of the massacre in January of 40,000 Iranians, whether Iranians will be back on the streets in protest. But long gasoline line's inability to actually fuel their transportation sector. It's going to have far-reaching consequences. There's another thing I want to ask you about, Miad, and that is something that. I mean, I know you for many years worked on this as did we at FDD, and that's the UAE and Turkey. Tell us a little bit about what the UAE just recently announced. How big a deal is that decision? And what is your test for whether it's real? And then everybody says that, well, if things are going to shift to Turkey, and can Turkey do what today, what Dubai has done for Iran?

MALEKI: Sure. I mean, UAE is... One thing that I always tell everyone is Iran's economy, Iran's trade is not run from Tehran or Kish Island where it should have been ran because they were setting up Kish Island to be an economic free zone center. Iran's trade is ran out of Dubai and Istanbul. The folks in China, in Hong Kong, in Europe, folks who are involved in Iran business, whether they're selling stuff to Iran or they're buying Iranian products, they never talk to anyone in Tehran or Kish or Isfahan or Mashhad or Shiraz. They're talking to people calling from Dubai or calling from Istanbul. That's where Iran's trade is run out of. That's where they pushed Iran's economy to be stationed at, again, in Dubai and Istanbul. And what happens is we have this conflict and the Iranians do what they do. They make suicidal revolutionary decisions and they start targeting UAE.

And if I understand this correctly, I think UAE took more missiles and drones than Israelis did from Iran. I don't know if that's accurate, but I think I've heard that.

DUBOWITZ: That is accurate.

MALEKI: Right. So, UAE is a financial lifeline for Iran and for Iran's trade. Again, that's where they run their trade from. And the decision by UAE to cut off that trade is, I would say, if enforced, if implemented by Emiratis, is as effective, as impactful as the blockade and sanctions together are. 30% of Iran's import directly comes from UAE. The rest, the big portion of the rest of Iranian import goes through transshipment through UAE. 80% of Iran's foreign currency touches directly and indirectly Dubai's foreign currency market or banks or sarafis across Dubai. So, it's really the center of Iran's trade and UAE's decision, which was really, I think we should consider this again, if enforced, as a serious step taken by an ally to join us in this campaign. But also, even if it's not aggressively enforced, we understand the UAE judiciary is very forceful and very aggressive when it comes to going after criminal activities.

And a statement by UAE's Ministry of Foreign Affairs alone can have a significant de-risking effect in the Dubai market. Meaning, if you are an exchange house, if you're running a free zone-based company selling Iranian petrochemical products, when you see that statement, you're not going to wait for your regulator to come knock on your door. You're just going to cut off the trade right there because you don't want to have to deal with the security services in UAE. So, it does have a de-risking effect, and I think that effect of it is going to show, and it has showed some effect in Iran's economy already. Now, Turkey is where I'm looking at very closely now because if you see a decline in Iranian foreign currency procurement or exchange activities in UAE, then Turkey is where they're going to be shifting to. They have a land access to Turkey.

It's easier for them to get in and out. They don't have to rely on airlines to go get in and out of UAE. They don't really need to rely on going through the smuggling routes to get to UAE. There's a land access. Historically, IRGC and IRGC Quds Force, they have freely operated in Turkey. But at the same time, the Turkish private sector is very directly exposed to the European financial sector and the global economy.



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Compliance, historically, has been fairly good in Turkey. There are deficiencies, there are a lot of problems, but I think there are opportunities in Turkey today if US government is engaging with the government there to put pressure on Iranian activities. But also, you saw the sanction that went out targeting a financial institution in Turkey. I took that as the Turkish government not having been responsive to US government's call for enforcement of sanctions there. So, they took the action first and designated the financial institution to send a clear signal to the Turkish government that US government is serious about the illicit activities there.

DUBOWITZ: Yeah, I mean that signal is very important. You remember the Halkbank case where Turkey's second largest state-owned bank was involved in about a \$20 billion Iran sanctions busting scheme, which was being run by an Iranian Turk with massive bribes paid to ministers in the Turkish government, including, I think it was Erdogan's son or son-in-law. It was a big case. We were involved in it. I remember I testified as an expert witness in the case in Southern District of New York where the deputy CEO was convicted and went to jail. So, I mean that was a major state-owned bank involved in that. And I guess this action against what was, Golden Global Bank, was that the -

MALEKI: Golden Global, right.

DUBOWITZ: Yeah. That was the Turkish bank that just got recently sanctioned by Treasury. Hopefully that's kind of the kill the chicken to scare the monkeys. In other words, that'll send a sharp message to the Turkish financial sector, the banks, the exchange houses, et cetera, not to step in as Dubai steps out. But Miad, that gets to the next question, which is on everybody's mind, and that's China, the whole question about why are we not going after the big Chinese banks? It seems to be that one of the loudest ideas in Washington is to sanction a major Chinese bank. You've argued against it. We know that Beijing is indispensable to Iran. Iran is certainly commercially marginal to Beijing, but they've been buying Iranian oil, teapot refineries, traders, ship managers, insurers, these sort of smaller conduit banks. Why not go after a major Chinese bank the way the Obama administration did when it used statutory sanctions to impose quite a severe sanction against what I remember was a financial subsidiary of one of China's major oil energy companies?

You've argued against that idea. Why?

MALEKI: Thanks for the opportunity to unpack this a little bit. So, I think there's a longer-term strategy that we should pursue when it comes to [the] China-Iran problem. That longer-term strategy could be including, could be involved using sanctions to go after some Chinese financial institutions if needed. And now, in the current state of a blockade, the Iranian regime having been globally isolated at a point that has never been so isolated, diplomatically, that's what I mean, and economically. And what we're trying to achieve right now with a quick turn pressure on the regime's ability to repatriate its oil revenue, because that's what it comes to China, that's what we're talking about here. Obviously, there are imports, that blockade has been cutting off. So, the blockade is doing its work to cut off the Chinese unwanted or the type of export to Iran that we don't want to go through.

Obviously, there are humanitarian cargoes that are going through, but we don't want the Chinese chemicals that help Iran build missile fuel to go through Iran. We don't want other type of commerce to go through the blockade, and we want that blockade to do its work. So really when it comes to the China-Iran topic, the longer-term strategy is something that we're not discussing right now.



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What we're focusing right now is in the next two years, how can you get the Chinese to join this global coalition that is building, publicly, non-public coalition, I would say, to put pressure on the Iranian regime? What we're looking at as far as the Chinese support to Iran right now through banks is very minimal. These are the funds that stay in China. As a matter of fact, today I just posted something on X from a few years ago when Iran's deputy finance minister, Iran's finance minister said the Chinese are even worse than the Westerners. They take our oil money; they don't even release it after we have a deal with them. They tell us, "We're going to hold onto it and you're going to have to buy things from us and they sell us really bad quality products." So, I think the Chinese, based on my own experience, are very responsive when you approach them through diplomatic means and when it comes to the type of trade that is very cheap for them to give up, and that's Iran's trade.

You're looking at \$600 billion a year of US-China trade versus \$10 billion of official trade with Iran. I know a lot of people would be like, "Oh, I thought it's like 70 or \$80 billion." No, it's actually \$10 billion on the book of trade with Iran. The rest of it is oil that they're buying, the teapot refineries, like another \$60 to \$65 billion annually, and that's not this year or last year because those numbers have significantly dropped. But the oil that Chinese buy from Iranians, they don't buy it as Iranian oil, they buy it as Malaysian oil. They don't put it on the books as Iranian oil. And as a matter of fact, there [are] Chinese officials that have told me that their view when it comes to Iran's trade is more of a liability. I mean, it's more of a liability for them that it's something that they would stand by when it comes to international and global diplomatic type debates.

However, they do use that as a leverage when it comes to engagements with the US government. But at the end of the day, if there's enough pressure, there's enough diplomatic, behind the scenes, behind the closed doors kind of engagements with them, it's a very cheap trade that they would drop if it really means some kind of a pressure on the trade with the US. I think what I'm advocating here is the China-Iran trade right now is a very small part of the current pressure that we need on Iranian regime. The pressure points are in Turkey or in UAE, in some other neighboring countries, it's not really in China. The Chinese have actually squeezed Iranians very well. Their banks are not willing to send money to Tehran. They're very hesitant to work with Iranians. Teapot refiners are buying Iranian oil now at the lowest ever been, like under 500,000 barrels a day, and the funds usually are stuck there, and Iranians can't really use that funds to import anything these days.

So, what I'm advocating for is: let Treasury Department, let the White House call the Chinese, cut some deals with them. I have no doubts that they're doing it. I hope they're doing it, and I think it's going to actually show its effect much more. The Chinese, if [they] use sanctions, they might do the opposite because we always have this kind of... The public posture can be very counterproductive today with the Chinese. So that's my point when it comes to Iran-China trade today.

DUBOWITZ: Miad, I want to shift to what's left to increased pressure. I mean, you've got a legal architecture that is comprehensive and in place. You've got now finally some genuine new implementation. You've got a blockade, which is enforcing sanctions really on the physical side, and then a financial isolation campaign on the exchange houses, free zones, shadow banks, crypto, insurers, registries, with also kind of an off-ramp for actors that exit Iranian business that don't want to get sanctioned. Where would you go next? I mean, you and I have written about designating Iranian airlines and pulling aviation authorizations and really trying to create an air blockade, and we saw a recent treasury action very much around that. The UK just restored sectoral sanctions that had lifted about 10 years ago. Does that matter or is that just an interesting press release? And if you could take one serious action this month, what would it be?

And if it's a bank, where's the next bank target likely to be?



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MALEKI: Sure. So, I think where we're standing today on the sanctions, it's not a gap in legal authorities that we need. It really comes down to enforcement and implementation, and more importantly, leveraging today's diplomatic isolation that the Iranian regime is facing globally. As I engage with our foreign allies, officials in foreign governments, with the private sector, what I sense is that this very shifting view from that Iranian trade and business could open up at some point, so let's not fully drop it. Let's keep those connections to a very clear sense of willingness to put meaningful pressure on the Iranian regime to just stop it. As much as we criticize the MOU, if you go back, that MOU, the fact that Iran received a very shiny, very significant incentive package to go back to some kind of a ceasefire, I just remind everyone that for the first time since 2012, Iranian regime was given the option to import oil and get paid in US dollars.

It was probably since 1979 the first time that Iranian regime was able to receive oil revenue in US dollars, and yet they chose to walk away from it. They chose to tear that apart. So as much as that was very concerning when it happened, today I think that changed the sentiment, diplomatically. I think there are a lot of these countries and corporations that look at it as, listen, they had another opportunity yet they walked away from, and I think coupling sanctions with both diplomatic engagements and robust engagement with the private sector throughout the region, UAE, Turkey, and in China and Southeast Asia, would be the key right now to put quick-turn pressure on the Iranian regime's ability to get access to those few dollars that it can find today in different jurisdictions through networks of exchangers and trustees. So, I want to quickly go to one of the points that you raised, the off-ramp.

I think that's a major kind of opportunity today because what I would say is I was at my parents' house this weekend and my mom asked me to chop an onion. And when I was holding that onion, it was a bad onion. So, when I picked it up, it was kind of soft, but the layers on top looked just fine. And when I started cutting it, the core of the onion was bad. I think that's where the regime stands today. The core is in trouble, and we just got to peel the layers. And the way that this onion is layered, this regime is layered is when you get closer to the core of it, you have layers of regime officials, of political institutions, of economic institutions, outside Iran actors who are ideologically connected to the core values of the regime. Those are just sanctions going to keep squeezing them.

That's going to stay in place. And you come out to the exterior, the layers on top, and those are the layers that they don't have any ideological connection to this core of regime. It's just a business opportunity for them. I think the opportunity today is the peeling of those layers on top that are ready to come off because the core has rotten and really exposed that core. I think one example that I would use is you have a teapot refinery in China that used to purchase 10% Iranian oil, and this is a real number, 10% of its oil purchases were Iranian oil, and they had about 30, 40% Russian oil, which we don't want them to buy, but they were buying that. And then the rest was oil that comes from the Gulf. They're sanctioned today, and what they're importing, what they're buying right now is all Iranian oil because no one else is selling oil to them.

So now they have become a part of Iran's black market. So now Iran has a buyer that used to buy only 10%, now is buying 100% of its purchase from Iranian oil. So, the opportunity with some of these sanctions are the day before the designation and the day after the designation, meaning the day before designation when you can call them and say, "Hey, we're about to ruin your business. What are you willing to do?" I've seen a lot of these companies that have that opportunity, they quickly are willing to cooperate, shut illicit conduct out, and then work on compliance programs. The day after the designation is when you can get these companies to cooperate, chip them away from Iran's black market. One example is COSCO Dalian, this giant Chinese company that we designated during the first Trump administration, and within six months of working with them, they came off the sanctions list.



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We still kept a bad apple on the sanctions list, which was one subsidiary of a much larger entity. And that action, one, cut off the entire formal shipping industry in China of Iran's business. So, it sent a very clear signal that it doesn't matter how big you are, you have any illicit conduct, we're coming after you. Two, that COSCO entity and its subsidiaries were major players in Iran's shipping, oil shipment. When they were designated, they had two options, become a part of Iran's black market, which wasn't really an option for a company that size, so they started working with the US government. And what happened is that entity with, I think, thousands of tankers would never come close to Iran's sanctions networks. They would never touch illicit business. So that was a successful case of sanctions being put to work. And I think Treasury Department today has the opportunity to chip away some of these entities that are already sanctioned or contact these companies before they sanction, give them a chance to get their act together and cut off their trade with Iran.

I think that opportunity exists. Now, when you get closer to the core of the apple, I think those layers you got to keep sanctions on, you got to keep pressing them, but the outside layers, you're going to give them an off-ramp to start chipping them off from Iran's sanctions networks and black market. Now, very quickly on your last questions, what remains and when it comes to banks, I think I would keep looking at Turkey, and I'm hoping that the recent action targeting this bank there would translate into some cooperation by the Turkish government and the private sector in Turkey. So, there's no need for more designation of banks, but if that trend doesn't exist, then I think that's where I would like to see more actions taken to really choke off Iran's access to foreign currency market in Turkey. You also have Hong Kong, you have Southeast Asia where if some Iranian funds are sitting, I'm hoping that US Treasury Department is also looking very closely at those jurisdictions.

DUBOWITZ: Okay. So, in the last few minutes we have, I mean, it seems to me from what you said that the regime in Iran can rally around a war and the IRGC seems to be itching for a war, and it could also breathe under some kind of relief deal similar to the MOU that it got and then rejected. But it sounds like it can't manage where we are today with a sort of no war, no relief, status quo where it's being squeezed economically, it's getting no economic relief, it's not able to actually beat this blockade, it's not able to get its oil and petrochemicals into international markets. Do you agree with that, that they actually fear a no war, no relief equilibrium more than another round of strikes? And if so, what happens domestically when the war ends and demand comes back and where do you see the regime going in terms of getting itself out from the bind that it finds itself in?

I mean, what is the tempo in escalation if the speed of economic pain has to outpace the regime's ability to raise military costs on the United States and our allies in the region?

MALEKI: Well, I mean, that's a really great point. I mean, what I would say is where Iran is today, where the regime stands today is the worst place it can be. The blockade in place, no hot conflict, meaning ongoing air campaign, meaning their economy has to run, the economy is running, inflation is skyrocketing, that the supply routes are cut off with the blockade, sanctions are biting. Diplomatically, they're extremely isolated, no one's answering their calls. This is the worst place for the regime to be in, and the clock is moving much faster for them. I think the reason that the regime is looking to escalate, every time I see these kind of... what folks like to refer to as a regime's escalation in response to economic pressure, it's really the signs of a struggle. And here's the reality, Iran's escalation with the US, Iran trying to harm the US interest runs through the Gulf States.



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They have to target their neighbors to put pressure on the US government, and that's really costly for them because they lost Emiratis, probably, hopefully, they're going to lose Omanis, they're going to lose Qataris, and maybe they're already there, maybe they're getting there, but that's the only way for them to escalate with the US, and that's extremely risky and costly for them. Every time they try to escalate, it's a struggle. It's an effort to get out of the current situation. So, I would take these escalations as signs of the regime really feeling the pressure domestically. When I hear people make the argument that the economic pressure is only hurting the Iranians, but not the Iranian regime, that also lacks that nuance or the complexity of the situation. The regime has to control its masses. It has to control its massive economic oligarchy-type business system that it has created and the political rent that it pays.

The day that it can't continue to hold things together domestically, that's when they're going to lose control.

As we discussed earlier, they can keep printing rial and let inflation absorb the effect of the conflict as opposed to cutting payroll. But if you can't buy anything with your paycheck, then that's the real effect. That's how people are going to understand, listen, even though this inflation is really slow, my inability to purchase my essential goods, the manufacturing industries, companies, that they can't get their hands on catalyst, on chemicals, on tools and parts that they need to produce domestically, that is going to break the system. That is going to chip off or chip away [the] regime's ability to control domestic population and industries and organizations. And then also keep in mind, IRGC does have the oil, but the Iranian regime and IRGC, they also control these investment firms that own Iran's metals and petrochemical industries. You'll have the foundations under the Supreme Leader office. It's 20% of the population that the regime has to keep happy to stay in place, and if they can't buy anything with their paycheck, then that regime is going to lose its core supporters as well.

So, I think the argument is way more complex than Iranians are hurting, but the regime is doing fine and we've already seen the effect of it. And as I said, every time regime tries to struggle with some kind of escalation, it's a clear sign of the pressure they're feeling domestically.

DUBOWITZ: Okay, Miad, one final question and I'm going to wrap it up. What is the Trump Administration getting wrong right now? I guess related to that, because perhaps it is related to this, is what should ordinary Iranians be hearing from Washington as their economy is in crisis, their living standards are collapsing, their purchasing power is severely diminishing? What's the message they should be hearing from the president and from the administration, and what is the administration getting wrong in particular, despite I think a strategy that you and I are for the most part supportive of?

MALEKI: I think when it comes to messaging is what I think that's where I see the opportunities to improve. Every time you have a senior US government official talking about a deal saying, "We're putting pressure on to get to a deal," it doesn't deliver anything positive to this strategy. When it comes to the regime, they get a message that they can keep going. They can try to increase cost and there's going to be a deal. That's how they negotiate. And for the Iranian people, it's very discouraging because they're seeing the pain, they're feeling the pain. A lot of families, as a matter of fact, when you talk to people in Iran, it's hard to find someone who doesn't know someone who was either killed or wounded in January. It's a pain that was felt across Iran, the slaughter that the regime committed in January. And it's clear that this regime does not represent the majority of the population.



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So, I think every time US government messaging goes back to getting to a deal, that is counterproductive on all fronts. So that's why I think Secretary Bessent has been, the messaging from Treasury Department, Secretary Bessent has been very powerful. We got to be very clear that this regime has shown that it's not a reliable partner in any ways to cut deals with, to agree to anything that they could be trusted with. The effort should be on, "Hey, we're done with this regime. There's no prospect of a deal here." And that is going to help if the intent is actually to get a deal. And that is going to help if the intent is to empower and encourage the Iranians. And I think the last point is I'm hoping that the US government and our allies are thinking very hard about what they're going to do when we have the next round of protests in Iran.

And I think if that work is being done, they should be messaging it. They should be talking about the fact that there's some thoughts, some efforts within these governments to help the Iranian people next time there's a round of protest. So that's another gap that I feel that exists, that I think that exists right now, mostly on the messaging front, but also, I'm hoping that the government here in the US and elsewhere, our allies and partners are focused on generating some kind of a plan and a campaign to help the Iranian people next time they go back on the streets.

DUBOWITZ: Okay, Miad, good place to end. Great message to end with. And thank you. For those of you who want to continue to follow Miad, he's amazing on X. Follow him at @miadmaleki, M-I-A-D-M-A-L-E-K-I. And Miad, we're going to have you back. We follow the story in more detail and thank you. Thank you for everything you've done for FDD. Thank you for your service to our country. And certainly, Iran's loss was America's gain.

MALEKI: Thanks for having me.