THE ECONOMIC DIMENSIONS OF A BETTER IRAN DEAL

QUINCY BRIEF NO. 77
JUNE 2025

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QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT

Executive Summary

President Donald Trump can secure a new, better nuclear deal with Iran by removing the barriers that have prevented American companies from entering the Iranian market. This could be achieved through a phased approach that would not require immediately lifting primary sanctions. Doing so would help secure greater nuclear concessions from Iran, generate economic opportunities for American companies that would create an estimated 200,000 American jobs annually, and make a new agreement more durable by strengthening its political bases of support in both the United States and Iran.

Decades of sanctions on Iran have failed to compel political capitulation. Instead, Iran has rationally developed a so-called “resistance economy” that evades sanctions, benefiting and empowering hard-liners with close connections to the government. In Washington, many misinterpret Tehran’s resistance and believe that sanctions have not worked because the pressure has not been great enough. But Tehran has held firm, not because sanctions have been too mild but because of a lack of clear and immediate benefits from disarmament. A U.S. policy that includes real economic incentives for compliance will change this equation, empowering more moderate elements of Iranian society and bringing economic benefits not only to the Iranian middle class but to the U.S. and the wider Persian Gulf region.

President Trump should issue targeted Office of Foreign Assets Control general licenses, enabling the export of up to $25 billion in U.S. goods annually to Iran, primarily in aviation, agriculture, automotive production, and telecommunications. A deal should also license a five-year carve-out for American–owned foreign subsidiaries operating in Iran, enabling U.S. access to as much as $4 trillion in unrealized Iranian investment opportunities by 2040. Such a license would allow the United States to partner with Gulf regional allies to modernize Iran’s transport and logistics networks, thereby advancing broader regional development and cooperation. The prospect of losing such partnerships would be a powerful incentive for Iran to exercise military and political restraint.

In parallel with the technical nuclear discussions, a dedicated economic dialogue could explore ways to keep Iran's consumer market open to American companies in the near term and unlock investment opportunities for U.S. investors over time. One potential method in that vein would be the inclusion of a "snap-forward" mechanism, in which economic openings accelerate based on Iranian compliance and good behavior. Such a carrot offers the path toward a more robust and dynamic U.S.–Iran economic partnership built on trust.

Incorporating economic incentives into a new U.S.–Iran nuclear agreement would benefit private sector constituencies in both countries, bolstering American jobs and industry while reintegrating Iran into the global economy. In the long term, such a multifaceted agreement could blaze a path toward peaceful coexistence with Iran.

Introduction

Since the 1979 revolution, U.S. policy toward Iran has heavily relied on economic sanctions. The underlying premise of this policy has been that external pressure will effectively translate into domestic political pressure and force the Islamic Republic to comply with U.S. demands. In reality, this sanctions-first strategy has inflicted economic pain without yielding meaningful political gains. Despite being one of the most heavily sanctioned nations globally, Iran has persisted with its controversial policies, such as nuclear enrichment and its regional activities, and, in some cases, even expanded them. In short, U.S. sanctions on Iran have failed to deliver on their intended strategic objectives.

To break with past failures, the United States needs to revise its outdated theory of sanctions, discarding the belief that pressure alone will suffice. By providing targeted economic advantages to specific sectors inside Iran instead of penalizing ordinary people with blanket sanctions, the United States can foster domestic pressure in Iran for compliance and coexistence. To build a new, sustainable, and better agreement with Iran, the United States should incorporate economic incentives that align the interests of both nations, providing Iranians a vested interest in upholding a new nuclear deal. Even with the current primary sanctions in place, President Donald Trump can demonstrate immediate benefits from a better deal by selectively licensing up to $25 billion in annual U.S. exports — particularly in air transportation, agriculture, and automobiles — and allowing U.S.–owned foreign subsidiaries to access as much as $4 trillion in unrealized Iranian investment opportunities by 2040.

As the 2015 Joint Comprehensive Plan of Action, or JCPOA, demonstrated, a deal that excludes U.S. engagement in Iran's economic resurgence is inherently fragile. Tehran learned that without American economic involvement, sustainable partnerships with non–U.S. economies remain on shaky ground. Too few constituencies in Washington or Tehran would defend a new deal if political circumstances change. A durable and better agreement must lock in America's core security interests while simultaneously giving powerful domestic constituencies a direct stake in trade with Iran and preserving sanctions relief. To unlock its geo-economic potential, address its growing economic woes, and add perhaps $1 trillion to its gross domestic product, or GDP, by 2040, Iran has no choice except to grant American companies market access, with every dollar of U.S. engagement being contingent upon strict, sustained nuclear nonproliferation.

This brief outlines the economic implications of a better deal, beginning with a concise history of U.S.–Iran sanctions, examining how broad sanctions alone have failed, and detailing how targeted incentives can turn a new deal into a win-win proposition. Alongside technical nuclear negotiations, a parallel economic dialogue must explore how Iran's consumer market can be opened to American firms in the near term and how investment opportunities in Iran can be unlocked for U.S. investors over time. By aligning U.S. commercial interests with Iran's economic recovery, policymakers can build domestic bases of support in both countries that are committed to upholding a new deal. These steps would spur growth and job creation on both sides while cultivating powerful pro-diplomacy constituencies, from American farmers to Iranian factory workers, who would have a direct stake in sustaining an agreement. This strategy would break the cycle of deal-making and deal-breaking by ensuring that any future U.S.–Iran agreement delivers real, mutual gains instead of merely averting threats.

Background

The 1979 Islamic Revolution not only ended decades of U.S.–Iranian partnership but also turned America from Iran's leading trade partner into its foremost economic adversary, ushering in an era of economic warfare. However, this era can be divided into three distinct episodes, each defined by its adverse economic impacts:

The First Episode (1979–2009): In response to the 1979 hostage crisis, President Jimmy Carter imposed the first sanctions on Iran by freezing Iranian assets in the United States and severing diplomatic ties. While some of these sanctions were lifted through the 1981 Algiers Accords once the hostages were released, a web of U.S. economic sanctions steadily expanded over the next three decades. By the mid-2000s, Washington's focus included Iran's nuclear program as well as its regional activities and military programs. These were largely "primary" sanctions, banning U.S. persons and companies from dealing with Iran but not punishing those from other countries for doing business with it, allowing Tehran to remain connected to global markets. Estimates suggest that, by 2000, U.S. sanctions had cost Iran between 1.1 and 3.6 percent of GDP.[1]

The Second Episode (2010–2015): When talks on Tehran's research-reactor fuel swap with the P5+1 — i.e., the five permanent U.N. Security Council members plus Germany —

[1] Hadi Kahalzadeh, "Economic Sanctions, Poverty, Inequality, and Vulnerability in Iran" (PhD diss., Brandeis University, 2023), 8.

collapsed in Oct. 2009, the United States began using “secondary” sanctions to target Iran’s access to global markets. In June 2010, the United States orchestrated U.N. Security Council Resolution 1929, tightening inspections of Iran’s shipping, banking, and transport. One month later, President Barack Obama signed the Comprehensive Iran Sanctions, Accountability, and Divestment Act, extending penalties to any non–U.S. firm doing business with Iran. By Dec. 2011, those sanctions reached Iran’s central bank and oil sector, and Washington began targeting foreign banks for dealing with Tehran. The impact was severe: Between 2010 and 2012, Iran’s economy contracted by 17 percent, inflation surged to 65 percent, and oil exports fell by half. After intense diplomacy, Iran and the P5+1 signed the JCPOA in July 2015. Under that deal, $50–56 billion of frozen reserves were released, and the economy rebounded 17 percent over the following two years.[2]

Yet a key flaw remained: U.S. firms were still barred from access to Iran and did not benefit from the agreement. Even as America waived secondary sanctions for Europe and Asia, it kept its trade embargo in place. The JCPOA’s Annex II, Note 6 explicitly stated that U.S. persons would still be “generally prohibited” from the types of commerce permitted to non–U.S. persons under the deal.[3] European and Asian companies rushed in, but American businesses, except for a few special licenses, could not participate.

The Third Episode (2018–Present): On May 8, 2018, the United States officially withdrew from the JCPOA and reinstated all lifted sanctions in an effort to apply “maximum pressure” on Iran. Subsequently, the Trump administration reclassified a portion of these sanctions. An additional 1,139 new entities and individuals were incorporated onto the block list, resulting in a cumulative total of 1,635 by the end of 2020. Following President Trump’s first term, both Iran and the Biden administration

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[2] Hadi Kahalzadeh, “Iran after Trump: Can Biden Revive the Nuclear Deal and Does Iran Even Want To?” Brandeis University, Crown Center for Middle East Studies, *Middle East Brief* no. 145 (Jan. 2022): 3, https://www.brandeis.edu/crown/publications/middle-east-briefs/pdfs/101-200/meb145.pdf.
[3] For text, see p. 71 of the document on the European Parliament website at https://www.europarl.europa.eu/cmsdata/122460/full-text-of-the-iran-nuclear-deal.pdf.

engaged in intermittent indirect discussions aimed at restoring the agreement. The talks failed, and by Dec. 2024, the total number of sanctions rose to 2,562 cases.[4]

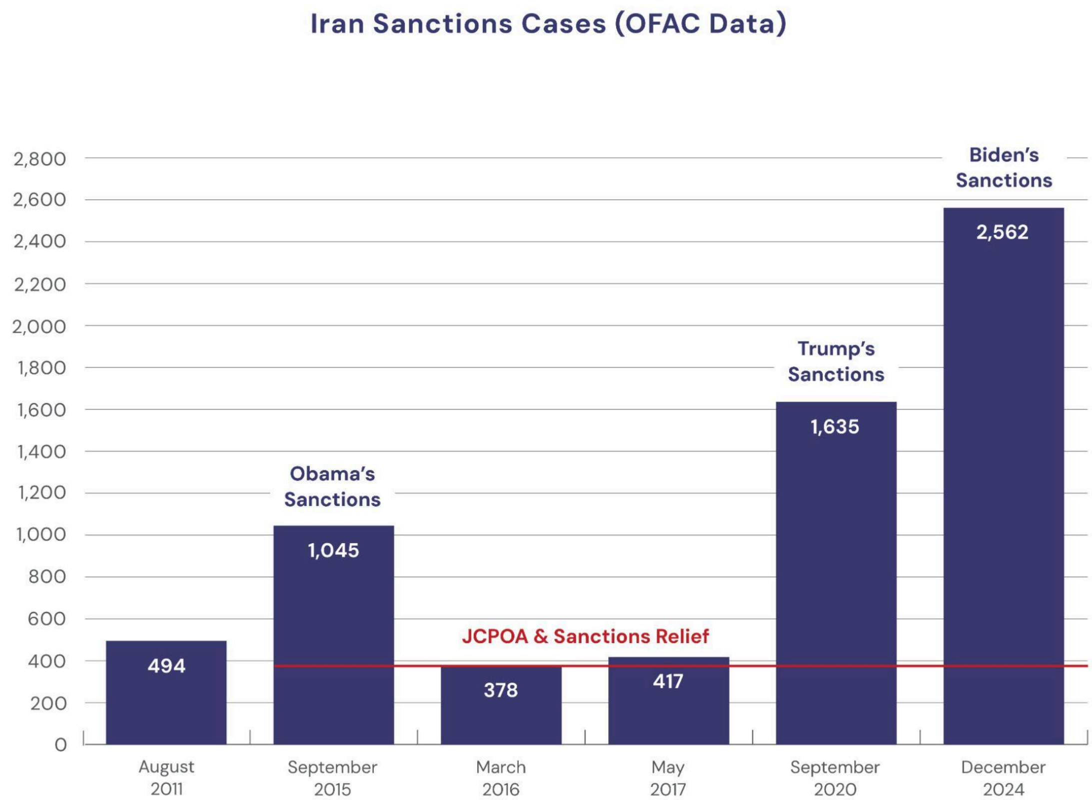

Figure 1: Iran Sanctions Cases (OFAC Data)[5]

The first two years of "maximum pressure" shrank Iran's economy by 12 percent, drove inflation up by 75 percent, and pushed poverty rates 8 percent higher. Oil revenues plunged from $48 billion in 2017 to roughly $8 billion in 2020, and non-oil exports fell from approximately $47 billion to $35 billion. However, in 2020, the last full year of Trump's first term, Iran's economy showed a modest recovery.[6] From 2020 to 2024,

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[4] Author's estimates, based on data from the U.S. Office of Foreign Assets Control (OFAC), Aug. 2011–Dec. 2024. See "Sanctions List Search Tool," U.S. Department of the Treasury, Office of Foreign Assets Control, accessed April 14, 2025, https://ofac.treasury.gov/sanctions-list-search-tool.
[5] Author's estimates based on data from the OFAC List Search Tool. See "Sanctions List Search Tool," U.S. Department of the Treasury.
[6] Kahalzadeh, "Iran after Trump," 5.

Iran's economy grew by about 17 percent,[7] with 1.2 million jobs added, indicating that the economy had gradually become more diversified and self-reliant over the long course of sanctions.[8] Of course, this survival-driven adaptation averted collapse but at a heavy cost to the Iranian people.

Broad sanctions: Failures and fallout

The United States' sanctions-first strategy has not delivered the desired policy changes in Iran. What it has delivered is a weaker Iranian private sector, a poorer middle class, a more insular and hard-line leadership, and an economy adept at evading U.S. measures without altering its core strategic direction. Since 2018, at least, the policy of sanctions has rested on the flawed assumption that sweeping economic penalties will translate into political capitulation by Iran at little expense to the United States. In reality, sanctions have inflicted far more pain than progress, having failed to lead to compliance while proving costly for U.S. interests.

Rather than curbing its nuclear program, the further sanctions spurred Tehran to enrich uranium to ever-higher levels, deploy advanced centrifuges, and curb cooperation with inspectors once the United States left the JCPOA. While the number of sanctions designations increased from 378 cases in March 2016 to 2,562 in Dec. 2024, Iran raised its uranium enrichment from 3.5 percent to over 60 percent in that time period, its enriched uranium stockpile from just over 200 kilograms to almost 8,300 kilograms, and its installed centrifuges from 6,000 to 17,000, including advanced IR-6 models.[9] Iran also tested its most sophisticated centrifuge, the IR-9, which is 50 times more efficient

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[7] "GDP Growth (Annual %): Iran, Islamic Rep.," World Bank, last updated 2025, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2023&locations=IR&start=2010.
[8] Author's estimates, based on the labor force surveys conducted by the Statistical Centre of Iran. See "Labour," Statistical Centre of Iran, 2021/22–2023/24, https://www.amar.org.ir/en/Labou.
[9] International Atomic Energy Agency, Board of Governors, "Verification and Monitoring in the Islamic Republic of Iran in Light of Security Council Resolution 2231 (2015)," GOV/2025/8 (Feb. 26, 2025), https://www.iaea.org/sites/default/files/25/03/gov2025-8.pdf.

than the IR-1, which was allowed under the JCPOA.[10] As a result, Iran's breakout time for bomb-grade uranium shrank from over a year to under a week.

<table>
<tr><th colspan="6">Iran's Nuclear Enrichment Capacities and Enriched Uranium Stockpile</th></tr>
<tr><th rowspan="2">Model</th><th rowspan="2">Capacity
(separative work units/yr.)</th><th rowspan="2">In Production Mode</th><th rowspan="2">JCPOA</th><th colspan="2">Stockpile (kg U)</th></tr>
<tr><th>Under JCPOA</th><th>February 2025</th></tr>
<tr><td>IR-1</td><td>1</td><td>7,260</td><td>6,104</td><td rowspan="10">202 kg enriched up to 3.67</td><td rowspan="10">8,294.4 kg including 274.8 kg (60%) and 606.8 kg (20%)</td></tr>
<tr><td>IR-2m</td><td>4-5</td><td>4,974</td><td>0</td></tr>
<tr><td>IR-4</td><td>4-5</td><td>2,449</td><td>0</td></tr>
<tr><td>IR-5</td><td>6-10</td><td>28</td><td>0</td></tr>
<tr><td>IR-6</td><td>6-10</td><td>2,165</td><td>0</td></tr>
<tr><td>IR-6s</td><td>3-6</td><td>20</td><td>0</td></tr>
<tr><td>IR-7</td><td>11-20</td><td>0</td><td>0</td></tr>
<tr><td>IR-8</td><td>16-24</td><td>0</td><td>0</td></tr>
<tr><td>IR-8B</td><td>10-15</td><td>0</td><td>0</td></tr>
<tr><td>IR-9</td><td>34-50</td><td>0</td><td>0</td></tr>
</table>

Figure 2: Iran's Nuclear Enrichment Capacities and Enriched Uranium Stockpile[11]

Sanctions have also incurred a broader geopolitical cost for the United States. Rather than deterring aggression, they raised the risk of military clashes, from the 2019 attack on Aramco facilities in Saudi Arabia to the downing of U.S. drones and missile strikes on bases like Ayn al–Asad in Iraq. Simultaneously, Washington's isolation of Tehran has pushed Iran closer to China and Russia, deepening strategic ties that involve Russian arms transfers, prolonging the war in Ukraine, and Chinese oil purchases that undermine

[10] Islamic Republic of Iran, Ministry of Foreign Affairs, بیست و دومین گزارش سه‌ماهه اجرای برنامه جامع اقدام مشترک (برجام) به مجلس شورای اسلامی ["The 22nd three-month report on the implementation of the Joint Comprehensive Plan of Action (JCPOA) to the Islamic Consultative Assembly"], Tir 23, 1400 [July 14, 2021], https://mfa.gov.ir/portal/newsview/644776.
[11] The author's estimates are based on International Atomic Energy Agency report verification and monitoring. See International Atomic Energy Agency, "Verification and Monitoring in the Islamic Republic of Iran."

U.S. sanctions globally.[12] Tehran's support for the Houthi campaign in Yemen has further disrupted Red Sea shipping, exacerbating global trade tensions.

In Iran, the pressure has also failed to translate into political capitulation despite inflicting undeniable suffering on Iranians. Among many, one key reason is Iran's privilege-based welfare system that shields politically influential groups and the ruling class more than ordinary people.[13] Facing economic hardship, government employees, military personnel, security forces, and skilled private sector workers are provided with generous subsidies, low-interest loans, and strong social protections. In contrast, the 60 percent of Iranians who work in informal sectors lack such support, resulting in their poverty rate being four to six times higher than that of public sector workers. Sanctions have enabled political hard-liners to expand their political and social bases and deepen their grip on the economy. To that end, the Islamic Revolutionary Guard Corps, or IRGC, has gained tremendous economic power and secured a larger stake in domestic industries, insulating itself while average businesses struggled. At the same time, the Islamic Republic promotes an official narrative that blames the United States for Iran's economic woes and frames resistance as a point of national pride. In effect, sanctions have inflicted mass suffering but left decision-makers largely untouched, and that pain has not led to desired policy change.

Adopting the strategy of creating a so-called "resistance economy," Iran has attempted to diversify its economy while developing a shadow underground banking network to circumvent sanctions. This survival-driven adaptation has undermined the leverage of sanctions over time but has been costly. Raising the public deficit from 20 to 30 percent has forced the state to resort to printing money and a high rate of tax on the private

[12] Narges Bajoghli et al., *How Sanctions Work: Iran and the Impact of Economic Warfare* (Redwood City: Stanford University Press, 2024).
[13] Hadi Kahalzadeh, "Civilian Pain without a Significant Political Gain: An Overview of Iran's Welfare System and Economic Sanctions," Rethinking Iran (SAIS), 2023, https://www.rethinkingiran.com/iran-sanctions-reports/.

sector, exacerbating stagflation.[14] Inflation remains persistently in the 30–40 percent range annually,[15] eroding household purchasing power and public welfare. A large public deficit has prevented the state from investing adequately in infrastructure and delivering public services. Energy shortages have forced periodic shutdowns of industrial and economic activities, further hampering growth and productivity. This has also led to widespread public dissatisfaction, as people face increasing economic hardships and declining living standards. Crucially, ordinary Iranians largely blame both their leaders and U.S. sanctions for their economic plight.

In Washington, many misinterpret Tehran's resistance and believe that sanctions have not worked because the pressure has neither been great enough nor applied long enough. These perspectives ignore the fact that, the longer Iran holds out, the more it learns to operate within a sanctions economy, which reduces U.S. leverage. Tehran has held firm, not because sanctions have been too mild but because it has had nothing to gain from compliance. In other words, Iran has resisted "maximum pressure" because it calculates that enduring the pain is preferable to surrendering without benefit. If U.S. policy aims to change that calculation, it must soften the edges of its pressure with credible incentives. Otherwise, resistance will remain the rational choice.

Iran's economic opportunities and challenges

Iran's economy presents a substantial opportunity that is waiting to be realized. With a population of approximately 89 million, Iran generated $434 billion in GDP in 2024; however, when adjusted for purchasing power parity, or PPP, its economy increases to $1.7 trillion.[16]

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[14] Author's estimates, based on the budget-liquidation reports of the Supreme Audit Court of Iran. See Supreme Audit Court of Iran, 1398–1402 [2019/20–2023/24], https://dmk.ir/fa/page/103506-تفریغ-بودجه.html.

[15] "Inflation, Consumer Prices (Annual %): Iran, Islamic Rep.," World Bank, last updated 2025, https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=IR.

[16] "GDP, PPP (Current International $): Iran, Islamic Rep.," World Bank, last updated 2025, https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=IR.

Iran’s human capital is a key strength. Literacy stands at 91 percent, university enrollment rates are among the highest regionally, and nearly 60 percent of the population is under 40 (with a median age of 33), creating a young, well-educated, and tech-savvy workforce.[17] Additionally, Iran is urbanized and connected. As of 2023, approximately 78 percent of the country’s population resides in urban areas, with eight cities having populations above four million. Ninety-six percent of Iranians own cell phones, and approximately 93 percent of mobile connections are broadband, including 3G and 4G networks.[18] More than half of all households own computers. The average nominal retail spending per capita was approximately $5,400 in PPP in 2023, indicating a strong consumer market, a predominantly young demographic, and a ready consumer base for modern infrastructure, technology, and consumer goods.[19]

Geographically, Iran sits at the crossroads of the Middle East, Central Asia, and South Asia. It borders seven countries by land, which are home to more than 530 million potential consumers, and commands ports on the Persian Gulf and Gulf of Oman, which are vital for international shipping. Reintegrated into the global economy, Iran could serve as a transit hub for everything from rail connections between India and Europe to energy swaps between Persian Gulf producers and Central Asian exporters.

Iran ranks among the top 10 mineral-rich countries in the world. With 15,000 mining areas, it has the sixth-largest zinc reserves, the seventh-largest copper reserves, the ninth-highest iron ore reserves, and the fifth-largest gypsum and barite reserves globally.[20] In March 2023, Iranian officials announced the discovery of a deposit containing 8.5

[17] Author’s estimates, based on “Iranian Labor Force Survey Conducted by the Statistical Center of Iran for the year 1402,” Statistical Centre of Iran, 2023/24, https://amar.org.ir/statistical-information/statid/52036.
[18] “چند درصد از ایرانیان به اینترنت و موبایل دسترسی داند” [“What percentage of Iranians have access to the Internet and mobile”], *Rond.ir*, Mehr 14, 1398 [Oct. 6, 2019], https://rond.ir/News/چند-درصد-از-ایرانیان-به-اینترنت-و-موبایل-دسترسی-دارند.
[19] Author’s estimates, based on “National Accounts Data Conducted by the Statistical Centre of Iran for the year 1402,” Statistical Centre of Iran, 2023/24, https://www.amar.org.ir/en/.
[20] Farzad Ramezani Bonesh, “An Overview of Iran’s Mining Industry and Opportunities,” *Middle East Briefing*, Nov. 20, 2023, https://www.middleeastbriefing.com/news/an-overview-of-irans-mining-industry-opportunities.

million tons of lithium, making it the world's second-largest reserve of the increasingly valuable mineral.[21]

Iran also has the second-largest proven natural gas reserves globally, holding approximately 34 trillion cubic meters, or m³, of verified gas reserves. Iran produces around 1 billion cubic feet of natural gas per day, almost entirely for domestic consumption. It lacks mass export capability for liquefied natural gas, sending only small volumes via pipeline to Türkiye and Iraq. Iran possesses the world's fourth-largest oil reserve, yet its oil export capacity stood at less than 2 million barrels per day, or mbd, last year.[22] Iranian officials have repeatedly said that billions of dollars in investment are needed in the oil and gas sector, which Iran alone cannot afford under sanctions. Iran has tried to court international investors with a new oil contract model, offering very lucrative rates of return around 20 percent.[23]

The sanctions have hindered the country from leveraging its demographic assets to foster substantial economic growth and wealth creation. Iran also faces significant energy inefficiencies and shortages. The country burns large quantities of gas to generate electricity while suffering from a natural gas deficit that reaches as high as 300 million m³ per day in the winter.[24] To close its current electricity deficit of 18 million megawatt hours, or MWh, and meet its growing demands, Iran needs to develop its utility-scale electricity generation capacity from 92 million MWh to 230 million MWh by 2040. Iran's losses in transmission and distribution, or T&D, are among the highest in the world. The country's average T&D losses are estimated to be between 15–20 percent,[25]

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[21] Natasha Turak, "Iran Says It's Discovered What Could Be the World's Second-Largest Lithium Deposit," *CNBC*, March 6, 2023, https://www.cnbc.com/2023/03/06/iran-says-its-discovered-worlds-second-largest-lithium-deposit.html.
[22] "Crude Oil Exports for Iran, Islamic Republic of," Federal Reserve Bank of St. Louis, accessed May 28, 2025, https://fred.stlouisfed.org/series/IRNNXGOCMBD.
[23] "IPC Deals Rate of Return at 20%," *SHANA* (Tehran), May 5, 2025, https://en.shana.ir/news/657995.
[24] Dalga Khatinoglu, "Much Ado about Nothing: Iran's Gas Deal with Russia Faces Long Odds," *Iran International*, May 12, 2025, https://www.iranintl.com/en/202505123471.
[25] Fatemeh Safari Dehkordi, "۲۰ درصد از برق تولیدی در هنگام توزیع هدر می رود" ["Twenty percent of generated electricity is lost during distribution"], Mehr News Agency, Dey 9, 1403 [Dec. 29, 2024], https://mehrnews.com/x36PMh.

which is twice the global average and three times the U.S. average. Iran also faces a severe water scarcity crisis. The country's growing population and climate change further strain its limited water resources. Addressing these challenges requires significant investment in the country's infrastructure.

Selected Sectors with Immediate Need		Investment Required
Water	Desalination capacity 5–7 million m^3/day	\$5 – \$7 billion
Industrial Modernization	Upgrade industrial base	\$180 billion
Electricity	Generation capacity to 230 million MWh	\$130 – \$190 billion
Transmission and Distribution	Expansion and upgrade	\$60 billion
Air Transportation	Add 300 new airplanes	\$50 – \$60 billion
Rail Network	Extend the network to 25,000 km	\$50 – \$60 billion
Oil	Add 2 million barrels per day	\$50 – \$60 billion
Natural Gas	Add 300 million m^3/day	\$55 – \$65 billion
	Total:	**up to \$680 billion**

Figure 3: Selected Sectors with Immediate Need[26]

Under economic sanctions, Iran has experienced an average economic growth rate of 4 percent since 2020, which it has struggled to maintain due to the lack of investment in infrastructure. Were it not for sanctions, a 2016 McKinsey Global Institute study

[26] The author's estimates are based on Iran's official reports and regional benchmark prices on the cost of similar recent projects in the region. The figure for industrial modernization is based on the assumption that Iran's industrial sector, excluding buildings, constitutes 45 percent of GDP. With an incremental capital–output ratio, or ICOR, of 3, the estimated industrial capital stock is approximately $600 billion. Renovating 30 percent of that stock would require an investment of $180 billion. For the natural gas calculation, if applying Qatar's Barzan project as a regional benchmark, Iran would need $55–65 billion of upstream capital expenditure to add 300 million cm/day of gas capacity. See "ACWA Power Consortium, Including GIC and Al Bawani, to Enhance Water Security in Saudi Arabia with Jubail 3A IWP," ACWA Power, May 1, 2020, https://www.acwapower.com/news/; "Annual Percentage Increase Required for the Country's Power Generation Capacity," *Donya-e-Eqtesad*, accessed May 30, 2025, https://shorturl.at/7tBoK; Dalga Khatinoglu, "Iran Prioritizes Gas Exports Despite Widespread Power Outages," *Iran International*, November 12, 2024, https://www.iranintl.com/en/; "Iran can increase oil production to 7 million barrels a day," *ISNA*, April 8, 2022, https://isna.ir/xdLqfj.

suggests that Iran's growth rate could reach 6.3 percent.[27] Meanwhile, the Iranian government has ambitiously set 8 percent as a target.[28] Considering these possibilities as modest and ambitious scenarios for if Iran fully reintegrates into the global economy, it could add between $600 billion and $1 trillion to its GDP by 2040. To realize this aim by 2040, the country will require an estimated $2.3–4.0 trillion in capital.[29] This is not impossible but would require the government, the Iranian private sector, and foreign direct investment to fund this required capital.

Iran's Projected GDP and Investment Needs Under Alternative Growth Scenarios					
Annual GDP Growth	Year (By)	GDP (USD billion)	Expansion Factor (x)	Total Investment Required (USD billion)	FDI at 40% (USD billion)
6% Modest scenario	2035	$845	1.7 x	$1,318	$527
	2040	$1,130	2.3 x	$2,328	$931
7% Optimistic scenario	2035	$919	1.8 x	$1,382	$553
	2040	$1,289	2.6 x	$2.513	$1,005
8% Ambitious scenario	2035	$1,000	2.0 x	$2,173	$869
	2040	$1,469	2.9 x	$4,073	$1,629

Figure 4: Iran's Projected GDP and Investment Needs Under Alternative Growth Scenarios[30]

[27] McKinsey Global Institute, *Iran: The $1 Trillion Growth Opportunity?* (London: McKinsey & Company, 2016), available on the Iranian investment site *Markteintritt Iran* at https://www.markteintritt.ir/wp-content/uploads/Iran_Report.pdf.
[28] "Iran's President Says His Country Needs More Than $100 Billion in Foreign Investment," AP, Aug. 31, 2024, https://apnews.com/article/iran-president.
[29] One may apply the "rule of 2.5," where an additional 1 percent GDP growth requires a 2.5 percentage point increase in investment, amounting to $1.7–2.5 trillion for 6–8 percent annual growth. Based on the Iran Management and Planning Organization's estimation, an investment of 35–41 percent of GDP is needed for 8 percent growth. This will require $5.5 trillion in capital by 2040.
[30] The author's calculations are based on Iran Statistical Center data and Iran Management and Planning Organization studies. The findings also aligned with the McKinsey Global Institute report in 2016. See "Post-JCPOA Growth Requirements," *Tejarat-e-Farda*, January 23, 2016, https://www.tejaratefarda.com/ and McKinsey Global Institute, *Iran*.

Turning adversaries into market opportunities

Iran is often viewed in Washington only through the lens of security threats, but with the largest untapped market in the Middle East, it also presents economic opportunities for the U.S. economy. Aviation, agriculture, and automobiles stand out as three high-visibility sectors that directly resonate with American constituencies and can be woven into a new Iran agreement without Congress amending existing sanctions laws. The U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, can issue new general licenses authorizing the sale of a defined list of U.S. goods to Iran. This brief estimates that U.S. firms in the following civilian sectors can export up to roughly $25 billion per year:

Civil Aviation: For decades, U.S. sanctions have left Iran with one of the oldest commercial aircraft fleets in the world, serving as a flying testament to human costs and lost opportunities. The JCPOA offered a brief reprieve. U.S. primary aviation sanctions were lifted, and Iran moved swiftly to sign deals for over 200 new jets, 80 of which were from Boeing and valued at $16.6 billion.[31] However, with the reimposition of sanctions in 2018, all contracts unraveled. Iran plans to add roughly 300 new passenger planes over the next 10 years to meet growing demand. For Iran, modern, fuel-efficient jets would reduce accidents, expand tourism and diaspora traffic, and lower ticket prices. For the United States, restoring Boeing and GE engine sales would revive thousands of high-skilled manufacturing jobs in Washington state, Kansas, South Carolina, and beyond.

Agriculture: Iran's population of 89 million citizens relies on an agricultural sector that, despite its size and diversity, cannot meet all domestic needs. Wheat, corn, and soybeans for animal feed as well as meat remain strategic staples. Prior to 2010, U.S. wheat growers in Kansas and North Dakota supplied Iran under waivers. Today, Iran still

[31] Jon Gambrell and Nasser Karimi, "Iran, Boeing Sign Historic $25 Billion Sales Agreement," *Times of Israel*, June 22, 2016, https://www.timesofisrael.com/iran-boeing-sign-historic-25-billion-sales-agreement.

imports $47.3 million of wheat, $2.5 billion of corn, and $2.5 billion of soy to meet its deficit. Beyond bulk commodities, Iran's farmers need modern equipment and know-how. Leading U.S. companies such as John Deere and Caterpillar could supply tractors, irrigation systems, generators, and earthmovers — essential tools to boost yields and reduce post-harvest losses.

Auto Manufacturing: Iran's automotive sector is the country's second-largest industry after energy and the largest automotive market in the Middle East and North Africa. More than 1 million vehicles are sold annually, and half of Iranian households own at least one car. Domestic demand is estimated to reach 2 million vehicles per year. The Iranian vehicle market is projected to grow from an estimated $41.57 billion in 2024 to $65.65 billion by the end of the decade.[32] Authorizing the sale of U.S.–made cars and trucks to Iran's private sector, as well as parts and machinery, will rejuvenate Iran's auto assembly lines. Auto workers in Michigan, Ohio, Kentucky, Alabama, and other manufacturing states would welcome these new markets.

Tech and Telecommunications: Iran's youthful population is very tech-oriented, exhibiting high rates of social media usage and coding talent despite restrictions. With a strong appetite for U.S. brands like Apple in Iran, U.S. electronics, smartphones, computers, and retail brands under strict end-use monitoring could be authorized.

[32] "Automotive Industry in Iran Size and Share Analysis: Growth Trends and Forecasts (2025–2030)," Mordor Intelligence, accessed April 11, 2025, https://www.mordorintelligence.com/industry-reports/iran-vehicles-market.

Potential U.S. Exports to Iran: Economic Impact and Key Beneficiary States					
Product	Iran's Need	Estimated Iranian Import Volume (USD billion)	Jobs Supported		Key Beneficiary States
Corn	9.9 million tons	$2.5	6,338 jobs per $1 billion	15,845	IA, NE, KS
Soybeans	2.5 million tons	$1.40		8,874	IL, IN, MO
Soybean Meal	2.5 million tons	$1.10		6,972	IA, MN, SD
Red Meat	200,000 tons	$1.20		7,606	TX, NE, KS
Boeing Aircraft	25 units	$4.00		25,000	WA, SC, KS
Automobiles	100,000 units	$3.00		18,000	MI, OH, KY, AL
Phones & Computers	4 million units	$4.00	5,200 jobs per $1 billion	20,000	CA, TX, NY
Power Transmission & Distribution Equipment	50 gross-value added of capacity	$4.00	27,000 jobs per $1 billion	108,000	PA, FL, NY, NC, TX
Total (up to)		$25 - $26 billion		210,000	

Figure 5: Potential U.S. Exports to Iran: Economic Impact and Key Beneficiary States[33]

A new paradigm: Incentivizing compliance through economic engagement

To construct a better and more enduring U.S.–Iran deal, this brief advocates a paradigm shift: The United States must move beyond sanctions-first tactics and embrace targeted economic openings that bind both countries' interests together. The goal would be to

[33] The author's estimates are based on Iran's need for agricultural and smart device consumption in 2023. Job estimates from the U.S. Department of Agriculture's multiplier indicate approximately 6,338 jobs are created per $1 billion in exports. Additionally, studies show that the power transmission and distribution sector create roughly 27,000 jobs per $1 billion invested. Based on these figures and an estimate of Boeing exports, this results in a projection of around 200,000 new jobs annually. See "Jobs Supported by U.S. Exports," International Trade Administration, Data Visualizer, https://www.trade.gov/data-visualization/; "Agricultural Trade Multiplier," U.S. Department of Agriculture, Economic Research Service, updated January 10, 2025, https://www.ers.usda.gov/data-products/agricultural-trade-multiplier; "Everything You Ever Needed to Know About Transmission," Americans for a Clean Energy Grid, last updated April 1, 2022, https://www.cleanenergygrid.org/everythingabout-transmission; "Boeing, Iran Air Announce Agreement for 80 Airplanes," Boeing, Media, News Releases/Statements, Dec. 11, 2016, https://boeing.mediaroom.com/2016-12-11.

create mutual dependencies that would make it costly for either side to break an agreement. The measures below, modeled on a parallel economic track, are incremental, reversible, and tied directly to Iranian compliance. They also align with powerful U.S. constituencies, from aerospace workers and farmers to auto parts manufacturers, who support the U.S. administration's emphasis on jobs and industry.

If up to $25 billion in annual exports to Iran are authorized, that would translate into tens of thousands of jobs in both Iran and the United States. Aerospace workers in Washington and South Carolina would build jets for Iran Air, farmers in Kansas and Iowa would grow tons of grain to ship to Iranian ports, and assembly line workers in Michigan and Ohio would make auto parts for the Iranian market. On the Iranian side, aviation officials, factory owners, and farmers who rely on imported feed would all prefer a deal to endure, as would consumers enjoying cheaper goods. From a regional standpoint, neighbors like Iraq, Türkiye, and even Saudi Arabia may seize opportunities to increase trade and investment ties with Iran, which could reduce regional tensions. Joint infrastructure projects linking Iran with Gulf Arab states would become more plausible if a U.S.–Iran accord lowers political barriers. As U.S. Envoy Steve Witkoff stated in his interview with Tucker Carlson, if the United States can unite Iran with the Arab nations, the Middle East's economy would surpass the European Union's: "Can you imagine all these countries working collaboratively together and creating that type of market? … It could be amazing."[34]

Under the original JCPOA sanctions relief, U.S. primary sanctions on Iran's consumer sector remained intact, except for specific licensed items. Note 6 of the agreement's Annex II noted that U.S. persons still could not trade with Iran. While an immediate lifting of the entire primary sanctions may be politically challenging, a phased plan is

[34] "Steve Witkoff's Critical Role in Negotiating Global Peace, and the Warmongers Trying to Stop Him," *Tucker Carlson Show*, Tucker Carlson Network, March 21, 2025, https://tuckercarlson.com/tucker-show-steve-witkoff.

practical.[35] To realize the vision of a more effective, incentive-laden Iran deal, the United States can take several concrete steps:

1. License the Export of Up to $25 billion in U.S. Goods Annually to Iran: As part of a new agreement, both parties may expand the list of permitted items within specified civilian sectors, including aviation, agriculture, and automotive production. As Iran adheres to the agreement, broader general licenses may be granted. The ultimate objective is to normalize consumer trade with Iran by the year 2040. Estimates from this study indicate that Iran's retail and consumer spending could potentially reach approximately $300–400 billion annually by then, considering anticipated population and income growth, thus positioning it as one of the largest markets.

The OFAC can issue new general licenses authorizing the sale of a defined list of U.S. goods to Iran. With this brief statement, U.S. firms could export up to roughly $25 billion per year. U.S. firms could also meet part of the current $180 billion needed for renovating outdated industrial machinery.

These licenses could be valid for one year at a time and renewable upon U.S.–Iranian compliance certification. Iranian violations could trigger immediate suspensions, preserving U.S. leverage. Over time, as trust grows, the cap could be raised or broadened, but $25 billion per year is a powerful starting incentive, roughly equal to Iran's oil revenue in 2024. In addition, these links would also give the United States more insight on and influence in Iran's economy. It will be easier to monitor compliance when a business presence and trade relationship exists. Likewise, directing $25 billion in annual exports to American firms effectively supports the "America First" agenda by prioritizing U.S. domestic manufacturing, securing essential supply chains, and showcasing genuine job creation in Republican–leaning states. The estimated 200,000 jobs generated annually across sectors such as agriculture, aerospace, automobiles,

[35] President Trump's lifting of U.S. sanctions against Syria demonstrates that Trump can — if he is willing — blow through diplomatic red tape with a bulldozer. Thus, while the immediate lifting of all primary sanctions against Iran may be politically difficult, it is not impossible.

high tech, and energy infrastructure further reinforce Trump's branding as the "jobs president," energizing his political base in both Republican–leaning and swing states.

2. License Five-Year Carve-Out for U.S.–Owned Foreign Subsidiaries: Iran General License H under the JCPOA allowed foreign companies owned or controlled by U.S. persons with one one-time waiver to engage in certain dealings with Iran. A renewed agreement could extend the waiver for five years to invest in or provide services for projects in Iran's designated sectors, with a six-month window to establish operations. Five years is a more meaningful period, as the payback period for most Iranian projects with a high return rate takes less time. After five years, if the new deal endures, it could be reviewed for extension or integration into permanent sanctions relief.

A new Iran General License H would allow U.S. engineering and construction firms' foreign subsidiaries to legally conduct deals to help Iran develop natural gas fields and upgrade its power grid. They could also partner with U.S. regional allies — such as Saudi Arabia, Qatar, Oman, and the United Arab Emirates — to modernize Iran's transport and logistics networks, from railways to ports. In April 2025, during the largest U.S. trade delegation's travel to Iraq, investors repeatedly cited Iran's regional influence as a barrier to capital flows.[36]

[36] "U.S. Sends 'Largest' Trade Mission to Iraq to Boost Economic Ties," *The New Arab,* April 8, 2025, https://www.newarab.com/news/us.

FDI Performance Metrics for Iran's Energy Projects and Global Benchmarks							
Project	Assumptions		FDI Rate of Return (%)	Cumulative ROI (%)	IRR (%)	Payback Period (yrs)	Project Life (yrs)
	Case Estimation	Selling Price					
Oil	+2 million barrels per day	$60 /barrel	41%	904%	40%	2.49	25
Solar Power	(1 gigawatt) ≈ 5 MWh/day	$0.12 /kilowatt hour	12%	200%	11%	8.33	25
Combined Cycle Gas Turbines	1,000 MW at 57% CF (~5 terawatt/yr)	$0.12 /kilowatt hour	24%	626%	24%	4.13	30
Petrochemicals	1.8 million tons /yr at 40% net margin	$525 million /yr	21%	320%	20%	4.75	25
Global average FDI rate according to UNCTAD			6%	221%	6%	16.7	20
U.S. average FDI rate according to BEA			5.3%	181%	5.3%	18.9	20

Figure 6: FDI Performance Metrics for Iran's Energy Projects and Global Benchmarks[37]

Legally, it may be easier for the U.S. executive branch to authorize this via waiver, since the JCPOA's Iran General License H was done under executive authority. This avoids the immediate need to overhaul the primary sanctions laws. U.S. firms could use their affiliated entities outside the United States to make the actual deals in Iran, keeping the parent firm formally separate but benefiting economically as profits flow back.

Being included in a regional web of commerce, Iran would see real development gains, modernized factories, and better infrastructure, which would increase the cost of the country losing a deal. For the United States, a new Iran General License H would mean that American companies will not fall behind competitors in engaging a reopened Iran. This carve-out would ensure America has a foot in the door of Iran's post-deal economy from day one while also advancing stability and opportunity for its Persian Gulf allies.

[37] The author's estimates are based on the required capital expenditure for sample projects; scaling up may yield different results. FDI rates of return are sourced from the U.S. Bureau of Economic Analysis and the United Nations Conference on Trade and Development. See "Foreign Direct Investment in the United States," U.S. Department of Commerce, Office of the Under Secretary for Economic Affairs, Sept. 2024, https://www.commerce.gov/sites/default/files/2024-10/FDI-Report-Final.pdf and "World Investment Report 2024: Investment Facilitation and Digital Government," United Nations, Conference on Trade and Development, 2024, https://unctad.org/system/files/official-document/wir2024_en.pdf#page=5.11.

3. Snap-forward and Snapback Mechanisms: Just as the snapback mechanism in the JCPOA that would have reimposed sanctions if Iran had not fully complied with the deal, a new and better agreement will require a "snap-forward" mechanism to accelerate economic openings for positive actions. A joint economic commission can identify triggers and green-light additional trade or unfreeze assets. This creates a dynamic, trust-building cycle rather than a one-off concession. This concept of snap-forward provides the United States with flexibility to introduce graduated reciprocity into a relationship starved of trust.

4. Multilateral and Regional Coordination: A better and more enduring U.S.–Iran deal requires regional buy-in and participation. Countries such as the United Arab Emirates, Qatar, Türkiye, and Oman have acted as intermediaries in trade with Iran in the past, and they would welcome clarity and a reduction of risks when dealing with Tehran going forward. A multilateral framework, involving regional joint ventures and funds where Persian Gulf sovereign wealth funds invest alongside U.S. subsidiaries in Iranian and Iraqi projects, is essential.

5. Security Concerns and Incentives for Compliance: Embedding economic incentives in a better U.S.–Iran deal would be a strategic move to anchor such an agreement in the self-interest of influential stakeholders, thereby enhancing its durability. Unlike the JCPOA, which lacked broad constituencies to ensure its longevity, a new agreement creating tangible job growth in U.S. manufacturing hubs and fostering economic prosperity in Iran would generate strong incentives for both sides to maintain compliance. This type of economic alignment would demonstrate the practical benefits of a diplomacy-first approach, simultaneously advancing U.S. security objectives and mutual economic interests. Although some policymakers in Washington may perceive granting Iran economic access as rewarding an adversary, the strategic advantage of securing binding nuclear constraints far outweighs such perceived risks. Importantly, such an arrangement rests on commerce, not aid: American companies would benefit directly through increased revenues, and U.S. workers would gain through expanded employment opportunities. Economic integration thus would serve as a powerful catalyst for lasting security and diplomatic stability.

Military diversion risks in these predominantly civilian sectors — aviation, agriculture, and automobiles — are inherently limited. Nevertheless, robust oversight mechanisms — such as rigorous end-use monitoring, periodic audits, and strict contractual conditions — would further mitigate potential risks. Such oversight ensures that exports, particularly aircraft and automotive technology, remain exclusively civilian-oriented. By fostering legitimate private sector entities, enhanced economic openness would weaken military-linked conglomerates, diminishing the rationale for economic militarization under sanctions.

A common concern in Washington is that economic benefits may bolster Tehran's clerical regime and its allies. However, decades of sanctions have predominantly empowered IRGC–affiliated entities and hard-line militias, sidelining ordinary entrepreneurs and technocratic professionals. Redirecting approximately $25 billion annually into civilian goods, infrastructure, and private sector development would rebalance economic influence toward independent farmers, manufacturers, and small business owners. Over time, these empowered economic constituencies, whose prosperity is directly tied to sustained economic openness, would increasingly advocate for legal reforms, political moderation, and continued compliance with international agreements. Crucially, economic gains would be conditional and reversible, creating significant incentives for Iran to uphold its commitments.

Conclusion

After more than 40 years of estrangement, the United States and Iran find themselves at a crossroads. The United States' outdated sanctions-first policy, heavy on punishment yet lacking tangible rewards, has failed to deliver security and stability for both sides. Iran remains adversarial and closer to nuclear weapons capability than before, while ordinary Iranians endure hardship without meaningful progress. It is time to test a different logic: strategic engagement that ties security and prosperity through targeted economic incentives.

Decades of open-ended sanctions on Iran have consistently entrenched Tehran's hard-liners, fueled a cycle of provocations and clampdowns, and produced neither security nor stability. Broad penalties alone cannot compel political capitulation when they inflict mass suffering without affecting decision-makers and elites. By contrast, conditional economic openings offer Iran a tangible path to prosperity: planes that land safely, grain that eases hunger, and machinery that spurs jobs, all contingent on meeting U.S. security concerns. This strategy leverages Iran's unexploited economic capabilities to create a sustainable way of coexistence.

Embedding economic incentives in a new, better deal would create vested interests among constituencies in both countries. In the United States, authorizing $25 billion in annual exports across aviation, agriculture, and auto manufacturing would support an estimated 200,000 jobs, from aerospace workers in Washington state to grain farmers in the Midwest and auto parts manufacturers in the Rust Belt. In Iran, new business for airlines, farmers, and factories would produce visible benefits on the ground. Iranian moderates would be able to point to lower food prices, safer flights, and factory jobs, thereby undercutting hard-liners' claim that engagement with the United States brings nothing but more U.S. demands. Over time, these stakeholders, U.S. companies and Iranian consumers, will become powerful advocates for sustaining an agreement.

For the United States, this model for a better deal promises new markets, job growth, and a reduced risk of military conflict. For Iran, it offers a genuine exit from economic isolation and a way to escape stagnation, potentially adding $1 trillion to GDP by 2040, fueling a demographic dividend, and moderating politics through economic modernization. As seen briefly under the JCPOA, when Iranian incomes rose and people experienced greater opportunity, the regime found it harder to blame outsiders for domestic woes.

The United States has long wielded economic power as a stick; now it must remember the power of the carrot. Targeted incentives are not charity, they are enlightened self-interest. By weaving economic benefits into the fabric of a security agreement, the United States can achieve what coercion alone has failed to deliver: a sustained, mutually beneficial partnership. An Iran trading with America is an Iran with a stake in good relations and good behavior, and anchoring that stake in prosperity can finally unlock the peace both peoples deserve. In short, a better deal.

About the author

Hadi Kahalzadeh is a junior research fellow at the Crown Center for Middle East Studies at Brandeis University. He holds a Ph.D. in Social Policy from Brandeis University, an M.A. in Sustainable International Development from Brandeis University, an M.A. in Energy Economics from Islamic Azad University, and a B.A. in Economics from Allameh Tabataba'i University in Tehran. Before his academic career, Kahalzadeh served as an economist at Iran's Social Security Organization for eight years, focusing on political, economic, and social policies. He was also actively involved in pro-democracy political and civil society organizations in Iran from 1999 to 2011. Kahalzadeh's research centers on Iran's political economy and social welfare, with a particular emphasis on the impact of sanctions. His work has been featured in prominent publications such as *Foreign Affairs*, *The Guardian*, and *Middle East Eye*. His recent publications include analyses of the limitations of economic sanctions and their effects on Iran's welfare system as well as studies on the intersection of economic factors and gender dynamics in Iran. Through his work, Kahalzadeh advocates for evidence-based policy approaches that consider the socioeconomic realities of Iranian society.

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