



ROSA & ROUBINI
ASSOCIATES

POLICY COMPASS

Iran at a Breaking Point: From Economic Crisis to Nuclear Negotiations

By

Barbara Listek



23 February 2026

Barbara Listek

Iran at a Breaking Point: From Economic Crisis to Nuclear Negotiations

23 February 2026

Table of Contents

Executive Summary	Page 3
Escalating Unrest in Iran.....	4
Diaspora Mobilisation and International Solidarity.....	4
US Response: Escalation, Sanctions and Military Signalling.....	4
What Can We Expect Next?.....	5
NOTES	6

Page | 2



Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 75 King William Street, London EC4N 7BE, United Kingdom.

For information about Rosa&Roubini Associates, please send an email to info@rosa-roubini-associates.com or call +44 (0)20 7101 0718.

Analyst Certification: I, Barbara Listek, hereby certify that all the views expressed in this report reflect my personal opinion, which has not been influenced by considerations of Rosa & Roubini Associates' business, nor by personal or client relationships. I also certify that no part of our compensation was, is or will be, directly or indirectly, related to the views expressed in this report.

Disclaimer: All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the US SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.

Barbara Listek

Iran at a Breaking Point: From Economic Crisis to Nuclear Negotiations

23 February 2026

Executive Summary

- ✦ Iran is experiencing one of the most severe crackdowns since 1979, driven by deep economic deterioration, political legitimacy crises, and widespread public frustration, with authorities responding through lethal force, mass arrests, and communications blackouts.
- ✦ The protest movement has triggered significant diaspora mobilisation, including large-scale international rallies that combine solidarity messaging with explicit regime-change demands, highlighting both global support and fragmentation within opposition visions.
- ✦ The U.S. response has blended sanctions, rhetorical support for protesters, military signalling, and renewed nuclear diplomacy, while Iran insists its nuclear programme is peaceful and seeks to limit negotiations strictly to the nuclear file.
- ✦ Current negotiations, mediated by Oman, face structural disagreements, particularly over whether talks should extend beyond nuclear issues to include ballistic missiles and regional activities, with Washington signalling it believes Iran’s domestic weakness strengthens U.S. leverage.
- ✦ Parallel military signalling, including IRGC naval drills in the Strait of Hormuz, underscores the fragility of the diplomatic track, leaving open whether negotiations can de-escalate tensions or risk tipping into broader regional confrontation.

Key Picture: US Naval and Aircraft Presence Near Iran



Source: [New York Times](#) reporting and analysis of satellite imagery, ship- and flight-tracking data. Some US ships locations are approximate. Data as of Feb 18th.

Escalating Unrest in Iran

This year began in Iran with what the UN Fact-Finding Mission called “the deadliest crackdown by the Government of Iran against its people since the 1979 Revolution.”¹ The key mobilising driver has been severe economic deterioration, driven by years of extensive sanctions, as well as structural corruption, weak fiscal transparency, and chronic policy mismanagement, which have resulted in crippling inflation, the erosion of purchasing power and a sharp increase in the cost of basic goods.²

These pressures have been accompanied by a growing public perception that the authorities are unable to stabilise the economy, alongside a deepening crisis of political legitimacy within the Islamic Republic. This legitimacy crisis has been driven by the systematic disqualification or sidelining of reformist candidates and the brutal repression with which earlier protest movements were met.

This latest turn of nationwide mobilisation has also been met with disproportionate lethal force, alongside mass arrests and, from 8 January 2026, a near-total Internet and telecommunications blackout.³ While a detailed death toll is not reliably known, human rights organisations report it to be in the tens of thousands.⁴

Diaspora Mobilisation and International Solidarity

The protest wave has generated large, visible diaspora mobilisation and international solidarity actions. The Guardian reported rallies across multiple cities, with a major event in Munich where Reza Pahlavi, the exiled son of the last Iranian Shah, addressed a crowd described as numbering around 200,000 - one of the largest reported diaspora gatherings.⁵ Demonstrations were also held in cities including Los Angeles, Toronto, and London. Organisers framed 14 February as a “Global Day of Action” timed to coincide with the Munich Security Conference, in an effort to place diaspora pressure directly before Western policymakers while signalling the scale of international support for the protest movement.⁶

These events have combined solidarity messaging with explicit regime-change demands, reflecting both the scale of anger and the fragmentation of opposition visions for a transition. Pahlavi also called for coordinated symbolic participation inside Iran, including chanting slogans from rooftops at pre-arranged times aligned with overseas demonstrations, illustrating how diaspora mobilisation seeks to reinforce domestic protest dynamics despite severe repression and communications blackouts.⁷

US Response: Escalation, Sanctions and Military Signalling

Washington’s public posture has mixed rhetorical support for protesters, sanctions actions, and heightened military signalling, while also pursuing negotiations over Iran’s nuclear program. U.S. statements announcing sanctions against Iranian officials framed the unrest in economic terms and portrayed the regime as prioritising external militancy and weapons programs over domestic needs.⁸ In late January, major outlets reported President Trump’s warnings that a U.S. naval “massive armada” of warships was heading toward the region “with great power, enthusiasm, and purpose,” alongside warnings that time was running out for a nuclear deal.⁹

In response, Iran’s Foreign Minister Abbas Araghchi has stated that Iran is ready to respond “immediately and powerfully” to any aggression. The state also insists on its nuclear programme being entirely peaceful, denying the accusations that it seeks to develop nuclear weapons.¹⁰

While the US President maintained a hardline position, stating that a change of power in Iran would be the “best thing,”¹¹ diplomatic efforts have continued. So far in February, Iran’s foreign minister Abbas Araghchi has already met with the head of the International Atomic Energy Agency Rafael Grossi in Geneva for an “in-depth technical discussion” and subsequently held talks in Oman with Steve Witkoff and Jared Kushner.¹²

What Can We Expect Next?

So far, both sides have described the talks as a productive start and expressed optimism for the next round of meetings, which are to be held tomorrow, 17 February 2026, in Geneva with Omani mediation. However, beneath this cautious optimism lie significant structural disagreements over the scope and sequencing of any potential agreement. While Washington has expressed the desire to address several other issues - particularly Iran's ballistic missiles and its support for regional armed groups - Tehran has been adamant to set the scope for the discussions on the nuclear issue only.¹³

In previous talks, Trump's team advanced relatively maximalist demands, and current signalling suggests they are again entering negotiations from a position of perceived strength. This framing reflects a broader assessment in Washington that Iran's domestic unrest and economic fragility have weakened its bargaining power. This has been echoed by the stance of U.S. Secretary of State Marco Rubio who, when speaking to the Senate Foreign Relations Committee, said that the Iranian "regime is probably weaker than it's ever been" and that "they don't have a way to address the grievances of the protestors, which is that their economy is in collapse."¹⁴

At the same time, military signalling continues to run parallel to diplomatic engagement, underscoring the fragility of the process. A day before the next series of talks, reports have emerged of a move reflecting the escalating military tensions in the region. As reported by the Financial Times, Iran's Revolutionary Guard Corps (IRGC) launched naval drills in the Strait of Hormuz, considered the world's most important gateway for oil transport.¹⁵ The group has stated the manoeuvres were designed to assess the "operational preparedness" of its naval units in response to "potential military and security threats" in the strait.¹⁶

Taken together, the coming round of negotiations will test whether diplomacy can outpace escalation. The central question is not only whether a technical understanding on the nuclear programme can be reached, but whether both sides are willing to narrow their expectations sufficiently to prevent the current cycle of pressure, deterrence, and domestic instability from tipping into a broader confrontation.

NOTES

¹ United Nations Office of the High Commissioner for Human Rights (2026, January 23). "Iran: After Unprecedented Violence, Priority Must Be on Gathering Evidence to Hold Perpetrators to Account, UN Fact-Finding Mission Says." *Press Release*. Online: <https://www.ohchr.org/en/press-releases/2026/01/iran-after-unprecedented-violence-priority-must-be-gathering-evidence-hold>

Page | 6

² Amnesty International (2026, January 8). "Iran: Deaths and injuries rise amid authorities' renewed cycle of protest bloodshed." Online: <https://www.amnesty.org/en/latest/news/2026/01/iran-deaths-injuries-authorities-protest-bloodshed/>

³ Amnesty International (2026, January 9). "Iran: Internet shutdown hides violations in escalating deadly crackdown on protesters." Online: <https://www.amnesty.org/en/latest/news/2026/01/internet-shutdown-in-iran-hides-violations-in-escalating-protests/>

⁴ HRANA (2026, January 26). "Day Thirty of the Protests: From Internet Disruptions to the Pursuit of the Injured." Online: <https://www.en-hrana.org/day-thirty-of-the-protests-from-internet-disruptions-to-the-pursuit-of-the-injured/>

⁵ Jones, Sam (2026, February 15). "Rallies held across the world in support of Iran's anti-government protesters." *The Guardian*. Online: <https://www.theguardian.com/world/2026/feb/15/rallies-held-across-the-world-in-support-of-irans-anti-government-protesters>

⁶ Ibid.

⁷ Ibid.

⁸ U.S. Department of State (2026, January 30). Press Statement: "Sanctioning Iranian Government Officials for Suppression of Peaceful Protest," *Office of the Spokesperson*. Online: <https://www.state.gov/releases/office-of-the-spokesperson/2026/01/sanctioning-iranian-government-officials-for-suppression-of-peaceful-protest/>

⁹ Watson, Eleanor (2026, January 23). "Trump says "armada" of warships is headed toward Iran "just in case"" *CBS News*. Online: <https://www.cbsnews.com/news/trump-armada-of-warships-headed-towards-iran/>

¹⁰ Lukiv, Jaroslav and Kathryn Armstrong (2026, January 28). "Trump warns Iran 'time is running out' for nuclear deal as US military builds up in Gulf." *BBC*. Online: <https://www.bbc.co.uk/news/articles/cly5pd459gko>

¹¹ Jones, Sam (2026, February 15). "Rallies held across the world in support of Iran's anti-government protesters." *The Guardian*. Online: <https://www.theguardian.com/world/2026/feb/15/rallies-held-across-the-world-in-support-of-irans-anti-government-protesters>

¹² Wintour, Patrick (2026, February 7). "US and Iran say 'good' start made in talks over nuclear programme." *The Guardian*. Online: <https://www.theguardian.com/world/2026/feb/06/us-iran-talks-oman-nuclear-programme>

¹³ Ibid.

¹⁴ Lukiv (2026).

¹⁵ Ghaffari, Bitra (2026, February 16). *Financial Times*. Online: <https://www.ft.com/content/d5877afe-78e0-4c8c-953d-9de8c0bf66da>

¹⁶ Ibid.