The Unfinished Deal: Why the Islamabad Memorandum Failed and Prospects for a US-Iran Agreement

29 SEPTEMBER 2026

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On the 17th of June, 2026, the United States of America (US) and the Islamic Republic of Iran signed a Memorandum of Understanding (MoU) to pave the way for a resolution of the US-Iran war. The conflict erupted in February 2026, with strike exchanges between the parties, prompting an Iranian blockade of the Strait of Hormuz, followed by a US blockade of Iranian ports (Lukiv & Graham, 2026). It has had a great impact on the world economy, as the Strait of Hormuz accounts for approximately 20% of global oil traffic (Lukiv & Graham, 2026).

Led by US Vice President J.D. Vance and Iranian Parliamentary Speaker Mohammad Bagher Ghalibaf and brokered by Pakistan and Qatar, the Islamabad talks marked the highest level of direct engagement between the

two countries since the cut of diplomatic ties following the 1979 Revolution (George et al., 2026). The MoU's 14-point framework included a ceasefire on all fronts, including Lebanon, the re-opening of the Strait of Hormuz, an end to the US blockade of Iranian ports, the waiving of US sanctions on Iranian oil, and both parties committing to a final deal to be negotiated within 60 days (Islamabad Memorandum, 2026).

Three months later, the Islamabad Memorandum has not only expired with no renewal or final deal in sight, but conflict has resumed in the region. On July 8th, Iran targeted commercial ships in the Strait of Hormuz, prompting strike exchanges between the US and Iran, effectively ending the ceasefire provided by the MoU (Le Monde, 2026; Wintour & Yerushalmy, 2026). In September, Houthi attacks have disrupted oil exports through Saudi Arabia and the Red Sea, further impacting the global economy (The Guardian, 2026). Despite indirect talks mediated by Qatar and Iranian Foreign Minister Abbas Araghchi's proposal for a renewed agreement, tensions between the US and Iran remain high, and no breakthrough is yet in sight (Kola & Debusmann, 2026; Lukiv & Graham, 2026).

The MoU thus did not live up to its promise of providing a starting point for resolving the US-Iran war. This article investigates why the Islamabad Memorandum failed to pave the way for regional military de-escalation and what the prospects are for a future US-Iran agreement. It focuses on strategic culture as a driver of conflict and its impact on peace negotiations.

Limited by Design

A commonly given reason why the Islamabad Memorandum did not live up to expectations is that the deal remained highly limited and ambiguous. Critics argue that the MoU's lack of clarity on key issues meant it failed to provide for unambiguous guidelines for the conflict parties to respect, and allowed both parties to interpret the 14-point framework to their advantage (Fritch, 2026; Shamin, 2026).

Crucially, Article 5 of the deal provides for unobstructed passage of commercial vessels through the Strait of Hormuz, but leaves it open for Iran and Oman to define its administration (Islamabad Memorandum, 2026). While Oman issued a US-backed route, Iran issued its own route that did not allow passage near the Omani coast (Shamin, 2026). The vague wording thus allowed Iran to justify the targeting of vessels that did not follow its approved route, and allowed the US to retaliate with strikes on Iran (Shamin, 2026). Ultimately, the parties blamed one another for violating the terms of the MoU and resuming regional military action.

Furthermore, while the agreement includes Iran's re-commitment to not acquiring nuclear weapons, details over Iran's nuclear program are to be negotiated in a future deal, effectively leaving the issue open-ended (Shamin, 2026). In addition, the question of a ceasefire in Lebanon has had ambiguous implications (Fritch, 2026). Israel has indicated that it does

not view itself as tied to the MoU and has made withdrawal from Lebanon conditional on the disarmament of Hezbollah, which Iran believes is against the MoU terms (The Unit for Political Studies, 2026).

Nevertheless, these limitations to the Islamabad Memorandum are also part of its strength. Instead of debating key points of contention, the MoU focuses on immediate action points to secure a regional ceasefire. With the goal of ending hostilities, the MoU was intended as a starting point for reconciliation, allowing the US and Iran to build mutual trust and eventually reach an agreement on key points of contention.

Instead, I argue that the failures of the Islamabad Memorandum and subsequent attempts to revive negotiations have deeper roots in both American and Iranian strategic outlooks.

Trump's Aggressive Unilateralism

Part of the failure to reach a final agreement can be attributed to the second Trump administration's foreign policy. Since the beginning of his second term, US President Donald Trump has styled himself a global peacemaker, launched a global trade war, and threatened to annex Greenland (Harb, 2026). In addition, Trump has shown its willingness to intervene in other states' affairs, such as through the killing of former Iranian supreme leader Ali Khameini by US and Israeli strikes and the capture of Venezuelan President Maduro. His marked disregard for the international rule of law and belief in American hegemony under a 'might makes right' worldview have alienated allies and rivals alike (Pruszynski, 2026).

Trump's 'aggressive unilateralism' has led him to pursue a coercive approach towards engagement with Iran, forgoing concessions in favour of absolute victory. In light of the latest UN General Assembly, Iranian Foreign Minister Abbas Araghchi proposed to reopen negotiations with the US regarding Iran's nuclear programme and allow passage through the Strait of Hormuz, under the condition that the US lift its blockade of Iranian ports, waive its sanctions, and commit to achieving a ceasefire, including in Lebanon (Wintour, 2026). However, Trump has rejected this recent proposal, reportedly claiming that his goal was to 'annihilate' Iran (Kola & Debusmann, 2026). Through such remarks and a continued hostile approach, Trump believes he can later coerce Iran into a deal more favourable to the US and avoid making the concessions required in Iran's offer (Kola & Debusmann, 2026; Wintour, 2026)

Such an outlook on diplomacy complicates the achievement of a mutually beneficial deal. According to Zartman (2001), a 'mutually hurting stalemate' is a situation in which conflict parties do not see strategic benefits in continuing hostilities, which opens the door for negotiations. While the signing of the MoU in June showcases that the Trump administration has, to an extent, come to the conclusion that ending military conflict with Iran is necessary to the US's strategic positioning in the region, Trump believes

the US can bring the Islamic regime to heel through military action and economic sanctions (Kola & Debusmann, 2026; Wintour, 2026). As such, while Trump is looking for an eventual deal, he is unwilling to accept concessions and prepared to risk military escalation if it means achieving a deal that overwhelmingly benefits the US (Kola & Debusmann, 2026; Takeyh et al., 2026).

Tehran Divided

Furthermore, the Islamic Republic's strategic thinking, characterised by scepticism towards great powers and a reliance on non-conventional military strategies rather than negotiations, complicates progress towards a final deal. Debates over whether to engage with the US are not new in post-Revolution Iran, with two broad camps: hardline revolutionaries who see engagement with the US as a threat to Iranian sovereignty, and pragmatists who believe engagement can help relieve international pressure on Iran and support regime survival (Nars, 2025b). Scepticism towards engaging with the US comes from a mistrust of great powers, shaped by the historical experiences of Iran, such as the 1953 coup for which the US is seen as responsible (Nars, 2025b). These debates have continued in Iranian politics in view of the MoU, with Ghalibaf, Araghchi, and President Masoud Pezeshkian willing to come to the negotiating table while hardline dissenters, such as former Secretary of the Supreme National Security Council Saeed Jalili and potentially figures within the Islamic Revolutionary Guard Corps (IRGC), opposed engaging with the US (Motamedi, 2026; Williams, 2026).

While the balance has mostly swung in favour of a pragmatic approach, deep-rooted mistrust of the US within Iranian strategic thinking may prevent a future agreement. Crucially, Iran's new supreme leader, Mojtaba Khameini, has refrained from commenting on the MoU (Motamedi, 2026; Williams, 2026). Furthermore, even pragmatists indicate that continued conflict may be more beneficial for Iran than negotiating with the US (Takeyh et al., 2026). While Arachghi has opened the door for a potential deal, some reports have stated he may believe Iran would not benefit from negotiations (Wintour, 2026). Furthermore, while easing pressure from sanctions has been an argument in favour of a pragmatic approach in Iranian politics, Pezeshkian has indicated that he believes Iran can continue to endure US sanctions (Wintour, 2026).

Such an approach to conflict, prioritising resilience to pressure over engagement, has been key to the Islamic Republic's strategic thinking. Non-conventional warfare has been part of Iran's national security strategy since the Iran-Iraq war (1980-1988), exemplified by the IRGC's role and its non-conventional methods (Nars, 2025a; Tabatabai, 2020). Since then, Iran has relied on paramilitary tactics to fight off rivals with larger capabilities, including through its so-called 'Axis of Resistance' (Nars, 2025a; Tabatabai,

2020). Furthermore, Iran has leveraged its geostrategic position regarding the Strait of Hormuz to pressure the US and global markets (Takeyh et al., 2026). As such, while many within the Iranian political establishment recognise the necessity of engaging with the US, they also believe that Iranian resilience and ability to wage unconventional war may allow them to force the US to make greater concessions (Takeyh et al., 2026).

Prospects for a Future US-Iran Agreement

While the Islamabad Memorandum did not achieve its stated goal of leading towards regional stability and a final US-Iran agreement, it has shown that the US and Iran are willing to come to the negotiating table. Both states have shown that they believe military escalation is disadvantageous, but are willing to risk continuing conflict insofar as it would allow for an advantageous final deal. In this context, Trump's foreign policy and Iranian strategic culture have played a crucial role, as both favour taking the risk of military escalation and suffering potential losses over making concessions.

As of September 2026, a future agreement between the US and Iran is highly unlikely, although not impossible. Crucially, it would require both parties to be willing to make concessions to move towards a mutually beneficial deal. As long as both parties are willing to risk incurring heavy losses to force the other to surrender, reaching a long-lasting agreement will be a fraught endeavour.

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