

The Unmaking of America's Persian Gulf Order

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The memorandum of understanding (MOU) signed on June 17 between the United States and Iran concedes, defers, or omits nearly every strategic objective the administration cited in launching Operation Epic Fury. Iran's nuclear program is not dismantled but deferred to further negotiation. Its ballistic missile arsenal is unmentioned. Its proxy network is actively shielded by the inclusion of Lebanon in the ceasefire terms. The regime that the United States set out to disarm, and that many in Washington and Jerusalem hoped to destabilize, emerges from the war defiant, diplomatically engaged, and positioned to receive hundreds of billions of dollars in reconstruction capital and sanctions relief.

The American decision to accept these terms on behalf of a region that was neither consulted nor protected carries consequences that extend well beyond the bilateral U.S.-Iran relationship, because the MOU's specific provisions withdraw structural elements of the Gulf security architecture itself. The sanctions regime that constrained Iranian power projection is slated for dissolution. An Iranian institutional claim over the Strait of Hormuz is left intact. The proxy network that directly threatens Gulf territory is shielded under the Lebanon clause. A reconstruction fund whose costs will inevitably fall on "regional partners" is written into the agreement's text. Taken together, these provisions restructure the relationship between American power, Iranian leverage, and Gulf sovereignty in ways that, if left uncorrected, will outlast the 60-day negotiating window and redefine the strategic environment for a generation. Secretary of State Marco Rubio's [three-nation tour](#) of the United Arab Emirates (UAE), Kuwait, and Bahrain this week—undertaken to reassure Gulf allies whose skepticism he acknowledged—is itself evidence that the damage is already underway.

Iran [launched](#) more than 4,000 projectiles against the six member states of the Gulf Cooperation Council (GCC) in the weeks following the February 28 strikes. Missiles or their debris [struck](#) landmark buildings and airports in Dubai, high-rises in Manama, and Kuwait's international airport. QatarEnergy [halted](#) liquefied natural gas production and declared force majeure after Iran struck Ras Laffan, one of the world's largest LNG facilities. Kuwait and Bahrain cut back oil production due to a lack of storage capacity and alternative export routes. The UAE's air defenses [engaged](#)

537 ballistic missiles, 2,256 drones, and 26 cruise missiles, killing 13 people, injuring more than 200, and inflicting industrial damage that is estimated to take a year to repair. Iran targeted energy infrastructure, civilian airports, hotels, residential buildings, and the American military installations that these states had hosted for decades as a demonstration of alliance with Washington. These were deliberate acts of punishment directed at states that Iran accused of facilitating the American operation, despite [repeated assurances](#) from several GCC governments that neither their territory nor their airspace would be used to launch offensive operations against Iran.

The MOU commits the United States to work with “regional partners” to [develop a plan](#) with at least \$300 billion for the reconstruction and economic development of the Islamic Republic of Iran. Vice President JD Vance [told CBS](#) that the fund would be backed by Gulf states if Iran complies, while President Donald Trump, before the deal was announced, denied the United States was going to pay Iran, calling it “fake news.” Secretary Rubio, [asked](#) upon arrival in Abu Dhabi whether he would be requesting Gulf financial contributions, said “No, that’s far down the road,” and added: “It won’t be our investment. It won’t be our government money.” The fund is in the MOU’s text, the United States has disclaimed responsibility for financing it, and no alternative source of \$300 billion exists in the region other than the GCC states whose infrastructure Iran spent four months destroying. Saudi Foreign Minister Prince Faisal bin Farhan [told](#) the European Council on Foreign Relations in Vienna that he had “no details on this fund” and “no information or insight into the concept behind it.” He placed a precondition in front of any economic engagement with Tehran: “We’re going to have to have a conversation on how we rebuild that trust, how we rebuild that relationship before any concept of economic cooperation, mutual investment, or anything like that can rationally be addressed.” He further noted that Saudi investment commitments “have already committed their funding streams to areas that are targeted at our domestic economy.” The message was plain, though delivered in the diplomatic language that Riyadh prefers: the Kingdom is not willing to pay.

The United Arab Emirates, which bore more than half of all Iranian projectiles [targeting Gulf states](#) and whose foreign minister declared in March that the UAE would not be “blackmailed by terrorists,” has since moved toward pragmatic accommodation with a speed that reflects not a softening of its threat assessment, but a hardening of its judgment about the limits of American protection. Abu Dhabi initially demanded Iranian reparations for the damage inflicted on Emirati infrastructure. It then [reportedly agreed](#) to release between \$10 billion and \$20 billion in frozen Iranian funds, with upwards of \$3 billion already transferred to Iranian channels, in exchange for a halt to attacks. The UAE issued a categorical denial of these reports. Whether or not the specific figures are accurate, the behavioral pattern is clear: the UAE joined the regional consensus in [favor of the deal](#) by June, having concluded that the American security guarantee is conditional, revocable, and ultimately subordinate to Washington’s domestic economic imperatives.

[According to some reports](#), the GCC states themselves facilitated and supported the ceasefire deal. Some Gulf governments preferred paying for de-escalation to enduring further Iranian strikes, having concluded that the cost of continued hostilities exceeded what their economies and populations could absorb. But whether the Gulf states are resisting the MOU's financial terms or quietly accepting them as preferable to renewed war, the underlying calculus is the same: the American security framework failed to protect them from the consequences of a war they did not seek, and the costs of that failure are being transferred to them regardless of the form the transfer takes. When President Trump [acknowledged](#) at a press conference that he signed the MOU because he "didn't want to see an economic catastrophe," the Gulf states heard exactly what they feared: that the threshold at which the United States would seek accommodation with Iran was lower than the threshold at which the Gulf states would be made whole.

The \$300 billion question, however important in its own right, obscures a larger problem that may prove even more consequential. The MOU [commits](#) the United States to terminate "all types of sanctions" against Iran, including United Nations Security Council resolutions, International Atomic Energy Agency Board of Governors resolutions, and all unilateral U.S. primary and secondary sanctions, on a mutually agreed schedule as part of a final nuclear agreement. This is not a narrowly scoped nuclear concession of the kind that characterized the 2015 Joint Comprehensive Plan of Action, which removed specific sanctions tied to the nuclear file while preserving the broader architecture of American economic pressure on Iran. The MOU envisions the wholesale dismantlement of a sanctions regime that has been constructed over more than four decades, beginning with the 1979 revolution and encompassing designations related to terrorism, missile proliferation, human rights abuses, and the Islamic Revolutionary Guard Corps' (IRGC) status as a foreign terrorist organization. U.S. primary sanctions on Iran were initially imposed for terrorism, and the agreement envisions lifting terrorism sanctions with no commitments from Iran to end its support for terrorism. To lift these categories together is to convert sanctions from instruments tied to discrete Iranian conduct into bargaining chips for a narrow nuclear-management arrangement.

For the Gulf states, this matters as a question of strategic confidence—though the relationship between Gulf governments and the sanctions regime has always been more complex than a straightforward reliance on American economic pressure. Saudi Arabia's own accommodation with Iran, culminating in the Beijing-brokered rapprochement of 2023, and the financial channels that the UAE and Qatar maintained with Iranian counterparts throughout the sanctions period, suggest that Gulf capitals never treated the sanctions architecture as an absolute barrier. They valued it as a systematic constraint on Iranian power projection that limited Iranian access to the formal financial system, restricted arms procurement, complicated the financing of proxy networks, and signaled American resolve to contain Iranian expansionism—even as they selectively

worked around it when their own interests required. The promise of its complete removal, absent any Iranian commitment to dismantle those proxy networks or curtail its ballistic missile program, communicates to Gulf governments that even the imperfect constraint they relied upon is being traded away in exchange for the reopening of a waterway that Iran closed in the first place. Regional analysts have [warned](#) that the release of frozen Iranian funds and the lifting of sanctions could “empower Tehran’s regional networks of militias and proxies, reinforcing the very threats the MOU was meant to contain.” The concern is that the resources flowing to Tehran will be redirected toward the very instruments of coercion that the Gulf states have spent decades trying to neutralize, and that without the structural ceiling the sanctions provided—however leaky—there will be nothing to prevent the reconstitution of Iranian power projection on a scale that predates the war.

The Strait of Hormuz presents the most immediate illustration of this threat, and recent developments suggest the situation is evolving in ways that the MOU’s 60-day framework may not be able to contain. The MOU provides for the toll-free reopening of the strait, but does not require the dissolution of the Persian Gulf Strait Authority (PGSA), the formal regulatory body [established by the IRGC](#) in May 2026, that requires vessels to submit ownership, insurance, crew, and cargo information and receive a permit before transiting. The PGSA continues to [register](#) ships for passage even during the toll-free period, consolidating its institutional presence while the ceasefire nominally suspends its revenue function. Meanwhile, the future governance of the strait is being negotiated on a track that excludes most of the Gulf states whose economies depend on it. Iran’s Parliament Speaker Mohammad Bagher Qalibaf and Foreign Minister Abbas Araghchi traveled to Oman this week to discuss “new arrangements to manage” the strait [bilaterally](#), and Qatar’s Prime Minister separately visited Muscat for talks with Oman on initiating negotiations involving Iran, Iraq, and Gulf states on Hormuz—discussions explicitly separate from the [U.S.-Iran peace talks](#). The Council on Foreign Relations has [noted](#) that Oman may benefit from joining Iran in collecting a toll, creating a bilateral Iranian-Omani governance structure over a waterway on which Saudi Arabia, Kuwait, Bahrain, and Qatar depend for their economic survival. When Saudi Foreign Minister Prince Faisal was [asked](#) about the new arrangements at Hormuz, he rejected the premise outright: “The management of the strait was working fine before the conflict. There were no issues. Ships were navigating freely. Why should we now, as a result of a conflict, accept some novel arrangement that is going to be imposed on it?” Secretary Rubio, for his part, [reaffirmed](#) that “no country is allowed to charge tolls or fees on an international waterway” under existing international law. The declaratory position is clear. The institutional reality on the ground is moving in the opposite direction.

If this institutional fact survives the negotiating period, Iran will have acquired through the war a permanent lever of economic coercion over every major Gulf energy exporter whose access to

global markets remains, to varying degrees, exposed to Hormuz. [J.P. Morgan has estimated](#) the PGSA could generate \$70 billion to \$90 billion in annual revenue if allowed to persist. At pre-war Saudi volumes, a \$1 per barrel PGSA fee would transfer roughly \$2 billion annually from Saudi export revenue to Iranian state accounts, a permanent tax on the fiscal model underlying Vision 2030 and Aramco's dividend commitments.

The Lebanon addition of the MOU compounds all previous concerns. The [agreement](#) promises the “immediate and permanent termination of military operations on all fronts, including in Lebanon,” and Iran's foreign minister has [declared](#) that any continued Israeli military presence in Lebanon constitutes a violation of the MOU—a claim that goes beyond the ceasefire language in the agreement's text, which does not address territorial withdrawal. Israel has stated that it does not consider itself bound by this provision. Secretary Rubio, when asked about Lebanon during his Gulf tour, [described](#) the Lebanon track as “separate” from the Iran deal, to be negotiated directly with the Lebanese government—a framing that is difficult to reconcile with the MOU's explicit inclusion of Lebanon in its ceasefire terms. Iran's inclusion of Lebanon in the MOU, and Washington's acceptance of that linkage, signals that Iran's proxy architecture survived the war intact as a negotiating asset. If Tehran can compel American pressure on Israel to cease operations against Hezbollah as a condition of a ceasefire with the United States, then the proxy network that directly threatens Gulf security—not only Hezbollah in Lebanon but the Houthis in Yemen and the Popular Mobilization Forces in Iraq—has been validated as a going concern. Iran's success in including Lebanon in the MOU suggests that Tehran has no intention of resetting or reducing its regional ambitions, and this is among the [principal concerns](#) of Arab states evaluating the MOU's long-term implications.

The cumulative effect of these provisions is to reposition the Gulf states within a regional order whose center of gravity has shifted. Before the war, the Gulf security framework rested on a set of interlocking assumptions: that American forward presence in the Gulf constituted a credible deterrent against Iranian aggression, that the sanctions regime constrained Iranian power projection, that freedom of navigation through Hormuz was an international right guaranteed by American naval power, and that the Abraham Accords alignment with Israel provided the Gulf states with an additional source of deterrence and technological cooperation. The MOU has weakened every one of these assumptions simultaneously. American presence in the Gulf did not prevent Iranian strikes on GCC territory. The sanctions regime is slated for dissolution. Hormuz now operates under an Iranian institutional claim that the MOU leaves intact and risks ratifying. And [Israel has been cut out](#) of the negotiating process entirely, its freedom of action in Lebanon constrained by an agreement to which it is not a party, and its prime minister publicly [derided](#) by President Trump as “the very small partner” who “gets a little excited sometimes.” For Gulf governments

that wagered on the durability of the American-Israeli alignment as a pillar of regional stability, namely the UAE and Bahrain, the MOU renders that wager a losing proposition.

Secretary Rubio's tour is itself a study in the gap between American reassurance and Gulf reality. In Kuwait City, he [vowed](#) that the United States "will not do anything that would undermine the security of U.S. allies in the Gulf region" and pledged to be "completely aligned with our partners in the Gulf." The question confronting Washington is whether the Gulf states will continue to organize their security planning around the American relationship, or whether the MOU accelerates a process of strategic diversification that was already underway before the war and that the war's outcome has now made urgent. The GCC states are already working to diversify export routes to reduce their exposure to the Hormuz chokehold, harden port infrastructure, expand air and missile defense capabilities, and increase maritime coordination independently of the United States. The R-4 quartet—Saudi Arabia, Pakistan, Turkey, and Egypt—has held three foreign ministers' meetings in 31 days, a pace that signals a shift from reactive coordination to institutionalized consultation. [Plans are underway](#) for regional reconciliation talks to be held in Saudi Arabia between Iran, Gulf Arab states, and possibly other regional countries—a diplomatic track convened by Riyadh, not Washington. These are not signs of a region waiting for American reassurance, but of a region hedging against the possibility that the reassurance will not come, or that it will come with conditions that make it worthless.

The administration's task during the 60-day negotiating window is not to sell the MOU to the Gulf states. It is to repair the damage that the American decision to accept these terms has already done to the architecture of American influence in the region. Four measures are essential.

The United States must decouple Gulf financial contributions from the MOU timeline. Compelling Gulf states to commit capital to Iranian reconstruction within 60 days, while Iran's proxy architecture remains intact, its missile program is unaddressed, and its sovereignty claim over Hormuz is being institutionalized, converts America's most important regional partners into involuntary instruments of Iranian rehabilitation. The Gulf states did not start this war. They did not want this war. They should not be made to pay for the state that attacked them as the price of American diplomatic convenience.

The sanctions architecture must not be dismantled as an undifferentiated whole. The MOU's promise to eliminate all sanctions collapses distinct policy instruments into a single concession that Iran has not earned, and that directly undermines Gulf threat calculations. The final deal must preserve the non-nuclear sanctions categories, particularly the IRGC's foreign terrorist organization designation and the missile proliferation restrictions, as a floor beneath which the United States will not go, regardless of what Iran offers on the nuclear file.

The Hormuz reopening must restore the pre-war international passage regime, not ratify a post-war Iranian institutional claim. The PGSA is an acquisition of the war, created by the IRGC to monetize a waterway that belongs to the international community under the United Nations Convention on the Law of the Sea. A final deal that leaves the PGSA in place, even without active toll collection, concedes the principle of Iranian administrative sovereignty over the strait and creates a mechanism that can be reactivated at any moment of Iran's choosing. The dissolution of the PGSA must be an explicit condition of any final agreement, and the bilateral Iran-Oman negotiations over Hormuz governance must not be allowed to produce a *fait accompli* that excludes the Gulf states whose economies depend on the strait.

The United States must demonstrate, through visible force posture and binding diplomatic commitments, that alignment with Washington does not expose Gulf states to Iranian retaliation without American protection. That requires accelerated integrated air and missile defense, explicit guarantees against Iranian attacks on civilian energy infrastructure, and a negotiating rule that no Gulf financial contribution, sanctions concession, or maritime arrangement will be finalized without prior consultation with the affected GCC states.

The lesson of the MOU, as Gulf governments currently read it, is that the American security relationship is an input into Iranian strategic calculations rather than a constraint upon them—that hosting American bases and cooperating with American operations draws Iranian fire while the ultimate disposition of the conflict is settled over Gulf heads and at Gulf expense. If this reading is allowed to harden, the American security framework in the Gulf that four decades of forward presence, basing agreements, and defense cooperation have sustained will not survive the next crisis, because its principal beneficiaries will have concluded that it does not work.