



Drexel GPS Geopolitical Update
President Trump Says the MOU is Dead. But Actions May Tell a Different Story
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President Trump's declaration on Wednesday at the NATO Summit that the Memorandum of Understanding (MOU) with Iran is, for all practical purposes, a "dead issue," immediately raised a new question across energy markets and geopolitical circles. Has diplomacy actually failed?

The renewed exchange of military strikes between the U.S. and Iran would certainly suggest that possibility. Before concluding that both sides are sliding back toward full-scale war, it is worth reviewing what the MOU was—and what it was not.

It was never a peace agreement; it was a framework designed to preserve space for negotiations while both governments continued testing each other's resolve. That distinction is now coming into focus.

Drexel GPS Assessment

Watch the Responses—Not the Headlines

- Military action alone is no longer the best indicator of where this conflict is headed, but proportionality is. Limited, measured strikes designed to send political messages are fundamentally different from sustained campaigns intended to achieve military objectives. That doesn't make them harmless, but it does make them strategically different.
- The strikes will likely continue to some degree. The real question is whether either side deliberately expands the conflict by widening target sets, attacking critical civilian infrastructure, or abandoning restraint altogether. Therefore, not every headline announcing another exchange of fire deserves a market reaction – look to measure proportionality.

Why Would Iran Risk the Agreement?

- At first glance, Iran's continued attacks in the face of the MOU appear counterproductive. The ceasefire allowed Tehran to increase oil exports, generate much-needed revenue and ease some of the economic pressure created by the war. So why jeopardize those gains? Because, from Tehran's perspective, this conflict is about more than economics.
- Following successive Israeli operations against Hezbollah and Hamas and repeated U.S. strikes inside Iran in recent years, the Iranian regime was increasingly losing regional prestige. The MOU provided both economic benefits as well as an opportunity to change that narrative.
- Demonstrating that it can still influence traffic through the Strait of Hormuz restored something money alone could not: strategic credibility for Iran.

Strategy Explains the Policy. Emotion Explains the Risk.

- Leadership is another variable receiving far less attention. Many of the officials directing Iran's response today were hardliners long before this war began. Since then, many have watched senior commanders and longtime colleagues killed during successive Israeli and American operations, which is impactful.
- Strategic decisions are rarely made in an emotional vacuum. U.S. negotiators should not assume they are dealing with rational state actors; they are negotiating with leaders shaped by decades of revolutionary ideology and, more recently, personal loss. This combination makes predicting Tehran's moves considerably more difficult.

Drexel GPS Summary

- President Trump's remarks undoubtedly increase political pressure on the negotiating process, but they do not indicate that diplomacy has ended. The more reliable indicator remains military behavior—not political rhetoric.
- If retaliatory strikes remain limited in scale and carefully calibrated (even if expanded in scope), negotiations may still be influencing outcomes behind the scenes despite increasingly confrontational public statements.
- If military strikes begin expanding toward strategic infrastructure or sustained offensive operations, the probability of a return to major combat rises sharply.