

Transcript — Why the US-Iran Deal Could End in Crisis

Christian Smith: Hello and welcome to this podcast from Geopolitical Futures. I'm Christian Smith. Well, after three and a half months of on and off war, we finally seem to have an initial deal to end the conflict between the US And Iran. For now, at least. What we know about this memorandum of understanding so far, what we think we know, of course, because it hasn't been officially released, is that it includes the following. The fact that the Strait of Hormuz will reopen over the next 30 days. Iran will be able to export its own oil. Iran has reiterated that it will never create a nuclear weapon. Iran may also be able to use a \$300 billion development fund. If it meets commitments linked to its nuclear program, the US Will ease sanctions. And probably in many respects, very importantly, the final terms of the deal, including in relation to that nuclear program, will be negotiated over 60 days, 60 days from when it is signed, whether that is this week or whenever that ends up happening. It's currently scheduled for Friday. So where does that leave us? Well, today on the podcast, we look at what the deal means for the players involved and the geopolitics of the Middle East. And George Friedman, founder of Geopolitical Futures and chairman as well, is here with me to give it a go. George, first question, obvious question. What did you make of the deal and what we know of it so far?

George Friedman: There was no deal made. There was a 60 day ceasefire and opening sea routes and so on and so forth. But the fundamental questions that the war began on were not answered. One question was we went to war based on the threat of nuclear weapons. There is no agreement on that at this point. So what we really have is not an understanding, an agreement. We have a 60 day pause in the war, pause in the interruptions of logistics and so on. And in those 60 days we have to reach an agreement. And the question is, will we be able to do that? And I honestly can't tell you. But what I can say is that the fundamental demand of the United States was not met. The fundamental demand of the Iranians, of being first not attacked by the Americans, getting the Israelis out of Lebanon. And so these things have not been settled. So this is simply a good looking negotiating period in the middle of a war that's suspended for the time being, but no agreement has been reached.

Christian Smith: Is it not a step in the right direction, though? It's a help from where we were before, particularly with the Strait of Hormuz.

George Friedman: Well, where we were before was negotiating through the Pakistanis and various things. And now we're going to be sitting at tables and possibly having sips of coffee and so on and so forth. In that sense it's an improvement. But negotiations have been going on between the United States and Iran through the Pakistanis and others. So in fact, this is overstated, what it's called a settlement because the fundamental issue is not settled if this is the terms of the settlement, which is they keep their nuclear weapons and the Iranians have conceded to some extent that they may not close the Straits of Hormuz and so on. Well, that's at best a temporary ceasefire.

Christian Smith: Let me ask then, I mean, do you think, and we might come into this a bit later with a bit more detail, but initially, do you think that a deal can be done then?

George Friedman: All wars end. They either end in defeat of the enemy or in negotiation. I do not think the United States is able, without massive cost, massive cost in lives, to defeat the Iranians, who are quite capable of defending themselves. Nor do I think the Iranians can defeat the United States. Therefore, since all wars end, this will end negotiations. Whether they do it in these 60 days, well, they may, but at the same time we've just got an agreement to negotiate and temporarily hold hostilities. But the Iranians have made it clear that unless that agreement included the end of Israeli presence in Lebanon, there's no deal. And the Israelis have not agreed to that at this point. So even the question of whether the 60 days will take place is not clear.

Christian Smith: Yeah. And let's come on to Israel a bit later because that is a very, very interesting unanswered question. Many people obviously look at this and say, and I think obviously a partisan view, but Elizabeth Warren was saying this week the fact that she thinks the US has got nothing out of this. If you look at what's happened at the moment that we've got agreement to negotiate over the nuclear stuff, the Strait of Hormuz is open, which it wasn't closed before the war anyway. A number of other things have been going on. Three quarters apparently of Iran's missiles are still intact or their, their missile launching capability. It's not a good look for the U.S. is it, George?

George Friedman: Well, the U.S. is not thrown anywhere near all its cards on the table militarily. That's one of the things that has gone for its talks, that there's plenty more power the US can exert. the same time in the United States, there's no appetite for war in this. So we're in a complex situation and certainly it's an improvement to have a 60 day sort of ceasefire and negotiation, period. It is not guaranteed that it will end with an agreement.

Christian Smith: You mentioned Pakistan earlier. What do you make of their role here?

George Friedman: Their role was very significant. It didn't succeed, but it was the basic way they talked. The Iranians and the Americans did not formally meet with each other and sit down at the table, and the Pakistanis were the go between. I suspect that other nations may have served that purpose, too. But the fundamental problem has been that certainly in this war, whenever there were hints that it was going somewhere, usually came from a third party not involved in the war, or sometimes from the United States wanting to claim some things. Now, I will assume there will be more detailed and formal discussions and that some settlement will be reached. The Iranians are badly hurt by this war. The United States less hurt by the war. However, Trump hurts it politically. So there are all sorts of players at all sides.

Christian Smith: Well, Pakistan obviously has had its work cut out for it. I think particularly one of the things that's interesting about this war is the pressure that all of the main three players are under. How does that affect where we are now and where we will go from here?

George Friedman: Well, we have to take a look at the three players, United States, Iran and Israel. Each one of them is under a degree of pressure politically. Internally, Trump is under huge pressure because he said he was not going to get involved in these endless wars in the Eastern Hemisphere and then got involved in it. So he's under pressure from not only the Democrats, but members of the Republican Party inside of Israel. Netanyahu is under pressure from Trump and also from. There are many Israelis who have been opposed to Netanyahu and his ways. He's trying to end these things which don't end them, just lead to a new episode. So he's under pressure as well. And elections are coming inside of Iran. We are less clear on what the pressures are. But there are certainly factions

within the irgc, one faction that is interested in ending the war and other faction which seems very hostile to that. So unlike many negotiations where the government of each country speaks for the country and is able to make concessions and so on, under these circumstances, in all these countries, there are political pressures inside the countries that kind of shape the limits of what they can do or are forced to do. So when we look at this, this is not the kind of normal negotiation that, say, US And China would have, where Trump and Xi would sit in the room and have a lot of room for discussion and concession and so on and so forth. In this case, all three of them, all three of the leaders are looking over their shoulders at their followers.

Christian Smith: From the US Point of view, obviously, one of the suggestions that China, for example, has always had about the US Is that they know that they can often wait until the next president comes along who might have a different point of view before agreeing to any form of major concession. Is that the same thing Iran can do here? Or are they in such a. Under such pressure that they. They can't really afford that?

George Friedman: I don't know the internals of the RGC in detail, and when I ask people who should know, the details are very blurry. In other words, it's not that you have two formal entities debating each other on what to do. It's a question of how long they can withstand the war, how long and they have that ability to do for a while. I think it has to do with all the things that are ideological in nature. In other words, can we capitulate to the other side? Trump has the problem. Can we keep going with this war without him losing power in the United States? Netanyahu has a problem is that he's launched this massive war not just in Lebanon, but to try to increase the depth of Israel, which is small and to a great extent the idf. The Israeli army is exhausted because they've been fighting for two years. But they've lost many lives in the world because of this. And there's a serious question about Netanyahu's ability not to make a deal or his ability to make a deal. So what's odd about this is that in all three countries, the internal politics, sometimes visible, sometimes not clear, is defining issue and how they can end it. And that makes it a much more difficult place to end the war.

Christian Smith: Want actionable insight from Geopolitical Futures Introducing geoeconomic lens helping you understand not just what is happening, but how global power dynamics shape economic stability, dependency and opportunity.

Explore the first issue for free at geopoliticalfutures.com Lens We've spoken before. Let's if we just take a step back and look at the sort of wider geopolitics of Iran itself, perhaps less the IRGC or the internal players, but but the country itself and where it now is prior to the war. In February, we had spoken on this podcast and and Geopolitical Futures had written a lot about the fact that Iran had been significantly weakened weakened over the last few years. The attacks on Hezbollah and Hamas having done a large a.m. do you think Iran is still a lot more weakened than it was, is still at the same place it was, say, at the start of 2026 or has this war fundamentally, some people have suggested that it is in a much stronger position in the Middle east now, and particularly the Strait of Hormuz has given it a leverage that perhaps we weren't aware of before.

George Friedman: From purely military standpoint, they have the advantage of being the defenders, not the attackers. We learned in Ukraine that the nature of war now puts the attacker, Russia, in that case, in a weaker position because he has to mass troops and move them forward and the drones can hit those troops and destroy them. So given the nature of the war, where the best defense is a good offense was a principle at this point. Defender, even if Weary is just holding his position and that they don't get engaged because as soon as a mass arises to attack, if they have satellite intelligence, they'll see it and drones are 15 minutes away. So I'd say the benefit, the advantage of Iran is the growing power of the defense and the declining power of the offense. And Israel is experiencing this. Lebanon has done that for a while, okay? And the Americans are very much aware of that issue. So if the Iranians are willing to accept massive losses, to inflict massive losses, they're in a better position. On the other hand, whatever your ideology, you don't really feel like dying this afternoon. And you have to maintain the morale and the various supplies that are distributed and everything else and the intelligence to be able to do this. So I'd give them a bit of an advantage in terms of being on the defense. But the defense also is going to be very costly to the Iranians. So I'm not trying to escape the question, but I'm just trying to say it's really hard to tell. And partly it's based on the morale of the forces deployed. Are they willing to take casualties and continue going?

Christian Smith: And you're right, because as we've learned many times in history, it's one thing defending your own country, it's another thing trying to exert your advantage across your own border. Obviously, Iran has spent a lot of

time in the past couple of decades exerting its influence around the region again through some of its proxies like Hezbollah and Hamas. Do you think it will be in a position to do so again, say in a year or two, perhaps once this war is all settled? Or do you think, I suppose the economic problems it's facing are so substantial it won't be able to, or we just don't know?

George Friedman: Well, we have to remember that just before the attacks happened, there were massive anti government demonstrations inside of Iran that were put down with really vicious strength, killing many of these people. Okay, that opposition is likely not disappeared. It's simply terrified of showing itself. The weakness of Iran has spoken to strength, is that we saw those demonstrations and they were real. Which means there is a significant aspect of the population which is probably anti war. They are at this point intimidated. So the army has two missions. One is to defend the country. To defend, to maintain the internal stability of the country. That's a lot of work to have. There's a lot of division of labor and it's risky. So I would think, assuming that anybody who was demonstrating before is still alive and they're not terrified, the rest of them are not terrified to carry something out. I would say there is a division inside Iran, but they're more efficient in putting down efficiencies than in the US Congress trying to nail those who oppose this war. So each country has a deep division. Each country has a different power to handle it, and that plays into how it'll happen.

Christian Smith: Looking at the Strait of Hormuz for a moment, and particularly from an economic point of view that has kind of come to the fore is obviously one of the most significant results of this conflict. Geopolitical Futures has itself not in light of that, but was already underway, but has launched a product, a new product called Geoeconomic Lens. And the Strait of Hormuz is now. It's a choke point, I suppose that has much more vulnerability, as I said, than we realized before. But on the other hand, the lesson of history, supply chains, particularly, what we've learned since COVID and Ukraine, is that the world adapts the global economy, global markets find other ways. Already we're seeing alternatives set up to avoid this strait. And of course, economics, markets, finance, sort of drives everything. Do you think that that will mean that actually the Strait of Hormuz is currently seen as a huge advantage for Iran, but because of the desire now to move away from it, this will actually potentially be something that isn't as important in five years time.

George Friedman: I think one of the interesting problems is this, that the Strait Hormuz was always known to be a choke point. The United States Marines conducted exercises every year for many years on opening the straits of Hormuz. What has changed, however, is that the threat to the state of Hormuz is no longer infantry or naval force. It's drones trying to destroy ships. That's one change. The other problem always is that what I find in the business community is they regard wars as an outlier, not a common event. The World is constantly filled with war. It is one of the most natural things. The issue, from my point of view on Hormuz, was not whether it be closed, but when a war will occur, that will close it all right? So taking that into account, it's not a strange episode coming from nowhere. It is one of the vulnerabilities. And one of the problems is to accept the fact that that war, not just in American history, but all over the world, is a commonplace event, maybe as rare as tornadoes, but if you live in the Midwest of the United States, you're going to get a tornado. And in many ways, within the planning community, economic and otherwise, there's always an assumption of little friction in these things, particularly in logistics. So what we have learned is that it would be arrogant, from my point of view, obvious that at some point, the Straits of Hormuz become a pivotal point. Who owns it and closes it and opens it is going to be very important. So I think somehow understanding that at some point there was going to be no question but that there would be a war in this and preparing alternatives, alternative routes and something spending the money on the possibility would in some ways be sensible. So it was odd because many, many times in the military, closing the Straits of Hormuz was discussed as both a strategy and how to counter that strategy that didn't mix in with what other people were thinking. They were surprised. So I think that Trump was surprised at the closing of the Straits Hormuz. I thought he. I think. I don't know him, and I can't read his mind, but I think he and the people around him believe that the Iranians would not be able to defend themselves or choose not to be more defensive. In any case, that they responded with this was almost certain. It was even possible that even if there hadn't been a war, they would have tried to seize the Straits of Hormuz because they could charge enormous fees for passing through it. I think they were thinking about that anyway. But when you take a look at the world, War somehow seems to be a strange, unwelcomed, and certainly unanticipated thing, bad luck or something?

Christian Smith: Very much is not. So I suppose, then the question is, do you think that particularly in the business, in the markets, in those communities, that they perhaps underestimated this potential threat, or is it perhaps that they didn't, but didn't think there's much they could do about it? Which makes you think, will they be able to do much about it in the future?

George Friedman: Well, they could have done things about it like creating major reserves of oil, being ready financially to absorb the cost of recovering, and so on and so forth. But the problem with that is that you spend a lot of money and a lot of time and the war doesn't come and it's all wasted money. So as a businessman, you have to be prudent. On the other hand, prudence costs a lot of money. And so this is the problem. So long term, you have to be ready for this. But the long term could be very long term. And we've had the straits of our moves on the table as a possibility ever since the Shah of Iran fell, and that's been a long time.

Christian Smith: So

George Friedman: how do you do that? That's the question.

Christian Smith: Hmm. Less than reassuring. Then let's look at the nuclear side of things and the negotiation that's going to have to take place here. There were reports this week that CIA Director John Ratcliffe was not exactly happy with this and in particular believe that Iran really has no intention of dropping its nuclear capabilities. What do you make of that, George?

George Friedman: Well, it certainly has no intention of dropping. May be forced to. So that's why you fight a war when the guy doesn't want to drop it. As I had said before on the show, the threat of a nuclear 911 drove the Americans. The far more likely event if they have missiles in Iran, a nuclear attack on Israel was what the Israelis feared. Now, this gives the Iranians tremendous bargaining power because the US really wants them to give this up. And I don't think Trump can end this war leaving unsecured nuclear missiles in their hands, because then the war would not have achieved its major goal. So they are going to use those nuclear capabilities as a bargaining chip, and the price for getting rid of them is going to be high. And that's what the problem is. When you show your fears, when you demonstrate that you're really afraid of these things, the value of these things go up in the negotiations. And even if the agency and others would say, look, these are not really significant things, we would have plenty of time to deal with it

and all that. At this point, leaving those nuclear weapons without outside oversight in the hands of the Iranians would really hammer Trump's position in the United States.

Christian Smith: Take a moment to follow and rate us on your preferred podcast platform. If you're already watching on YouTube, don't forget to like and subscribe. Well, that leads quite nicely onto my next topic, which is whether or not we actually might go back to war. Because a, as you say, George, there, it could be a high Price. I wonder what that high price for giving up that nuclear material might be. But if it is too high for the US Whatever it might be, do you think that there is enough appetite on both sides to go back to conflict?

George Friedman: Well, only one side has to want to get back into conflict. So the problem of this is, if you show fear in the matter, you know, I don't want to get involved. Let's settle on anything. You're a weak hand negotiating. One of the things I think Iran in reality is it needs to end the war. It is soaking Iran in various ways, both in manpower, economically, and so on. They are very good. Given that they have this nuclear issue that was the pivot of the war. They have very strong bargaining chip. Their view, I think, is that, okay, we'll give this away, but you're going to give us a lot for it, okay? And we've already seen something which is splitting the Americans and the Israelis. The Israelis invaded Lebanon in order to get hold of Hezbollah and destroy them. The United States wants an end to this war. The Iranians have demanded. One of the things they have to do is pull the Israelis back from Lebanon. The Israelis don't feel they can do that because they have to get their hands on Hezbollah. Then there's no war. Then Trump will have to do it. So in other words, if you look at the bargaining position, the Iranians have an advantage. There are a lot of things contradictory in ways between the Israelis and the Americans as to what they want. Both want to get rid of the nuclear weapons, hence the price of those doing that is going to be very high from the Iranian point of view. In the meantime, they're making certain demands that would be very bad for the Israelis, not so bad for the Americans. You get out of Lebanon. And so in these negotiations where there are two people on one side of the table, one or the other, they're nicely splitting the Americans. And you can't avoid that, because for the Americans, the Lebanese war is not worth what we're doing in that country. For the Israelis, it is worth every price that America pays. So this is one of the things they're doing, is trying to split and having to some

extent split the Iranians and the Israelis. Now, should the Americans have gone with the Israelis into Iran? That's another question to be asked. And that's the political question, which in the United States, how will they evaluate those who are hostile to Israel's manipulation of the United States? They would say blaming Trump for that, and then those who are pro Israeli, blaming him for abandoning Israel so that nobody likes him. So these are the ways in which negotiations take place in these matters. And this gives Iran a major advantage in the sense that they don't seem to have a very powerful opposition inside the country to what they're doing. And secondly, they have something that even if it doesn't matter if they have nuclear material, okay, Trump cannot walk away with this from this war without them surrendering it. And they know that this puts us in a more difficult bargaining position in

Christian Smith: terms of this point, of how likely we are to return to war. I suppose my question was also, what else could the US And Israel do beyond attacking or beyond boots on the ground, effectively in terms of escalation, the

George Friedman: United States leave Israel out of the equation because they don't count, has massive air forces, massive availability, even though they minimize all the problems we're having, drones and everything else. There are targets inside Iran that are crucial on the whole, it's a third world country, if you will, with dispersed forces. But there are things, assets, economic and so on, that are very important to them. And therefore, one of the ways it ends is not sending troops in, but devastating the country. It would take a while. That's a big, big country. And a lot of people will be appalled at the death sewer cause in Iran. But at the same point, the Iranians know that pushed to the extreme, an American president is quite capable of ordering that sort of thing, particularly this president, they would think, and that's his advantage in negotiations. So the car, the Americans, not so much. The Israelis have, is a devastating air attack on Tehran, all other assets that they have, and so on and so forth, and that we have a president who is sufficiently unpredictable that he's capable of doing it. So where they have an advantage, we have in our negotiating side some advantages as well. That leads me to think that there will be a major crisis between the two countries taking measure of each other before the negotiations reach the end, and that it'll be very public because they'll be trying on both sides to influence the public opinion.

Christian Smith: Then we'll see something like a threat of America going back to full scale. Well, some form of full scale war, full scale airstrikes. Should I say something like that?

George Friedman: Well, I mean, you could take it to an extreme, and this is not what I think will happen. He says, okay, you're building nuclear weapons. We believe that's why you have them. We will then preempt with nuclear weapons. I don't think this is what he's going to say, but I'm giving an example of what he could say, okay, threaten nuclear war. Well, that may build me a deterrence. What I'm saying is, however, that in these negotiations there's going to be, as in all negotiations, a tremendous amount of bluffing. Trying to terrify the other guy appears stronger than you are or maybe weaker in some ways than you are, that I can't make this deal. I'd lose my political position. This is a negotiation. But I have a feeling, and I can't really predict this, that in this negotiation we're going to reach a point of terror where one side or the other poses a threat. Then maybe it can and maybe it will or maybe not will do, but the other side doesn't know it. So when you take a look at the options in the negotiations, you begin to wonder if that moment will occur. And I should get a gut feeling that it will.

Christian Smith: Interesting. George. Let's finish with Israel then. We've talked about it a little bit already, but Israel, I think it's probably fair to say, seems far from happy with the current situation. Israel, of course, as you said, is a deeply divided country itself. We have an election there coming up later this year that looks like it's going to be significant. Lots of reports that Trump and Netanyahu are falling out over what's going on. Do we believe them? It's hard to say. You can make up your own mind, I suppose. Where does Israel go from here with this and in particular with the election coming up? Does it really matter or are we going to see that fought out in this election?

George Friedman: I don't think it's the election that matters. It's the long term strategy of Israel. The problem of Israel, as I've said before here, is that as the widest point is 71 miles, you cannot lose a single battle if you don't have room to retreat, regroup. And the Israelis are in that position. And Hamas, they couldn't defeat for two years. So when you take a look at the Israeli military position, they were in the past a decisive power, a superpower in the region, okay? At this point, movements like Hezbollah, well trained, heavily armed, well dispersed so that one strike can't take them out. Well, they've proved able to survive. Okay? And Israel

itself is divided between the hawks and the doves. Those are extreme terms. There are those who say the only way we can end this war is by destroying Hezbollah because they want to destroy us. The fundamental question is, can they destroy Hezbollah? Even if they go ahead, at what cost militarily to troops and what price in relationship to other countries? Israel has become an outcast in many ways in the world for what it did in Gaza. If it stops the war in Iran from ending because it refuses to leave Lebanon, that threatens a fundamental relationship that Israel has with the United States. So if, as Trump has asked or demanded, they don't withdraw from Lebanon, then there is a real problem for Israel because it needs the United States and its equipment, so on and so forth. If it does leave Lebanon, it's fundamental force that you can rely on Israel to strike hard and keep striking will be undermined. And that's one of the things that keeps the enemies, the Arabs, whatever you want to call them, in check. Israel psychologically has a great difficulty in leaving without success. They already had a problem in Gaza, how much it cost. Now, if they back off and leave them in place, it's very difficult to imagine Netanyahu surviving politically. But that's a trivial matter on the whole, in changing the view that the Arab world has of Israel as ruthless and capable, it becomes something very different. That's one of the things I think the Israelis are considering how we look. There used to be a term the Americans use credibility. And that's what really is a powerful force sometimes in military warfare.

Christian Smith: Trump has sort of implied that he holds the whip hand when it comes to Israel, or the US does, as the he said he. But the US does when it comes to Israel.

George Friedman: Yeah.

Christian Smith: Do you think that's true or is that something that Israel's trying to figure out right now?

George Friedman: Israel in the short run is not dependent on the United States in the longer run. In the event of a major war, one of the ways Israel has always won its wars is with the United States rushing weapons and such support them. Now, during the Cold War, when the Egyptians and the Syrians and so on were pro Soviet armed with Soviet weapons and everything else, this was a norm and it was part of the Cold War and wasn't questionable. Cold War is over, and there is a

faction in the United States that is very pro Israel and a faction in the United States that has emerged quite at the Israel. Therefore, if Israel runs into military trouble, where does it turn for help? And the United States was the foundation of that. So can they afford to break with the United States to humiliate Trump by defying him and then with other presidents? So they're in a terrifically difficult position. They overestimated their strength, I think, in terms of being able to defeat Hezbollah and groups like that, Hamas, they can't concede that they overestimated their position. They can't draw back with credibility because the opposition will come at them harder. So when you take a look at their position, they're in a deep spot. Trump is in a less deep spot, but he's in a deep spot, too. Now the Iranians are pretending that they have no discord, that they're not a spot. But I remember demonstrations before the war. So one of the ways you have to look at this is from the internal side. Not only the internal politics, but the way in which the end of the war influences whether there'll be further wars and so on and so forth is a tough one.

Christian Smith: It is. And it looks like it will be a very interesting, depending on how much we actually hear about it, 60 days of negotiations going forward. Because, yeah, there's a lot that could be sorted. There's a lot that might not be sorted. But we will hopefully be back again with another podcast to talk about that at some point in the future. But we'll leave it there for today. George, thanks as always. Thanks out there for listening. Remember to subscribe and also go to Geopolitical Futures and to sign up to the website there as well. Thanks for listening. We'll be back again not next week, but the week after. Bye Bye. You can find all of our expert geopolitical analysis@geopoliticalfutures.com.

George Friedman: Sam.