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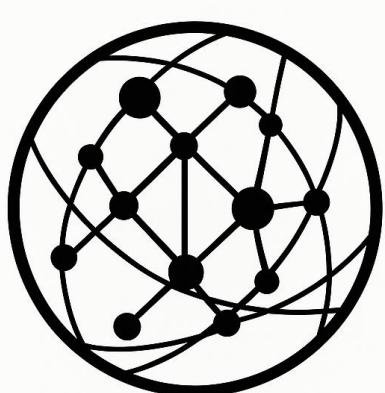
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From Wartime Leverage to Post-MOU State Capacity:**Iran's Reconstruction, Institutional Recovery, and Strategic Network Rebalancing**

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Abstract

This working paper examines whether Iran can convert wartime leverage into durable post-MOU state capacity. The reported U.S.–Iran MOU may reduce direct escalation, but it does not resolve the wider conflict system linking U.S.–Iran bargaining, Iran–Israel deterrence, U.S.–Israel alliance management, sanctions sequencing, Hormuz governance, and proxy discipline. The paper argues that Iran's central post-MOU challenge is not claiming strategic survival, but governing the leverage accumulated during conflict. Reconstruction financing, the reported \$300 billion recovery requirement, and approximately \$24–25 billion in frozen or restricted assets create not only funding questions, but also problems of liquidity, inflation control, institutional control, convertibility, and political distribution. The paper develops a systems-based framework organized around five interacting pressures: material recovery, institutional recovery, bargaining institutionalization, strategic network management, and internal-security stabilization. It finds that Iran's likely post-MOU orientation is best understood as Eastern-leaning non-alignment: deeper reliance on China, Russia, and Eurasian corridors for strategic depth, combined with selective engagement with Western-linked systems where sanctions relief, insurance, technology access, and oil-market normalization require it. The principal risk is not immediate collapse or uncontested rise, but nonlinear governance stress in which reconstruction, sanctions sequencing, Hormuz management, proxy discipline, political narrative, and counter-infiltration pressures interact faster than Iran's institutions can absorb.

Keywords: Iran; U.S.–Iran MOU; post-conflict reconstruction; state capacity; Strait of Hormuz; sanctions relief; IRGC; proxy networks; China; Russia; Eastern-leaning non-alignment; networked conflict; strategic leverage

Working Paper**Summary Findings**

- Iran's central post-MOU challenge is not claiming strategic survival, but converting wartime leverage into durable state capacity.
- The reported U.S.–Iran MOU should be treated as an interim and politically contested framework, not a final settlement. Its implementation remains exposed to Israeli security concerns, residual Iran–Israel deterrence dynamics, and possible U.S.–Israel desynchronization.
- Reconstruction will be a governance and macroeconomic-stability problem, not only a funding problem. The reported \$300 billion recovery requirement and approximately \$24–25 billion in frozen or restricted Iranian assets raise questions of liquidity, sequencing, inflation control, convertibility, and institutional control.
- Wartime authority will be difficult to reabsorb. Powers delegated to military, security, port, energy, and local actors may complicate the return from emergency governance to regular state administration.
- Iran's likely post-MOU orientation is best understood as Eastern-leaning non-alignment: deeper reliance on China, Russia, and Eurasian corridors for strategic depth, combined with selective engagement with Western-linked systems where sanctions relief, insurance, technology access, and oil-market normalization require it.
- The principal risk is not immediate collapse or uncontested rise, but a nonlinear governance problem in which reconstruction, inflation control, sanctions sequencing, Hormuz management, proxy discipline, political narrative, and counter-infiltration pressures interact faster than Iran's institutions can absorb.

1. Introduction

Iran's post-MOU position is structurally ambiguous. It may emerge from the conflict with enhanced bargaining relevance, greater leverage over maritime access, a stronger claim to regional resilience, and a more visible role in negotiations over sanctions, oil exports, nuclear sequencing, and security guarantees. This position remains conditional because the reported U.S.–Iran MOU should be treated as an interim de-escalation framework rather than a final settlement. Its durability will depend on implementation, verification, sanctions sequencing, Israel's response, proxy discipline, and Iran's ability to translate external concessions into internal stabilization.

This working paper asks under what conditions Iran can convert wartime leverage into durable post-MOU state capacity, and why leverage accumulation may produce either institutional consolidation or fragmented recovery. The question matters because the post-MOU phase is not simply a reconstruction period. It is a strategic conversion problem. Iran must convert wartime endurance into economic recovery, military resilience into institutional control, maritime leverage into governed access, proxy depth into disciplined deterrence, and counter-infiltration into state security without triggering internal overreach.

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The paper organizes Iran's post-MOU governance challenge into five categories: post-MOU recovery, power recovery, external leverage institutionalization, strategic network rebalancing, and national security and social stability. These categories are analytically distinct but operationally connected. Reconstruction funding affects elite power distribution. Military recovery affects the balance among the government, the Islamic Revolutionary Guard Corps, and religious institutions. Hormuz governance affects sanctions relief and oil-export access. Proxy management affects relations with Israel, Gulf states, and the United States. Counter-infiltration campaigns affect domestic legitimacy and foreign investment confidence.

The core assessment is that Iran's post-MOU difficulty lies less in acquiring leverage than in governing it. Wartime leverage is often coercive, flexible, and disruptive. Postwar state capacity requires institutions, predictable rules, disciplined security behavior, credible economic channels, and a political narrative that can reconcile resistance with reconstruction. Iran's ability to move from wartime leverage to post-MOU governance will shape whether the post-escalation phase produces strategic consolidation, fragmented recovery, or renewed escalation.

2. Analytical Framework and Scope Conditions

2.1 Systems-Based Policy Analysis

This working paper uses a systems-based policy analysis framework. It does not verify battlefield damage or estimate precise reconstruction costs. Instead, it evaluates how Iran may convert wartime leverage into post-MOU state capacity. The analysis treats state capacity not as a single attribute, but as a system of interacting functions: fiscal control, monetary management, security discipline, institutional coordination, external bargaining, proxy governance, and public legitimacy.

The framework assumes that post-conflict leverage is not automatically equivalent to durable power. Wartime leverage may be generated through coercion, disruption, mobilization, denial, or escalation risk. Post-MOU state capacity requires the opposite: predictability, administrative control, credible channels, enforceable commitments, and institutionalized restraint. The conversion from leverage to capacity is therefore neither automatic nor linear.

2.2 The MOU as a Provisional Framework

The reported U.S.–Iran MOU is treated as an interim de-escalation framework, not a final settlement. Its durability remains uncertain because nuclear sequencing, sanctions relief, Hormuz governance, proxy discipline, verification, and Israeli security concerns remain unresolved. The post-MOU environment may therefore reduce direct U.S.–Iran escalation while leaving Iran–Israel and U.S.–Israel frictions active.

This distinction is central to the paper's scope. A reduction in direct hostilities does not resolve the conflict system. A U.S.–Iran memorandum may manage escalation without resolving the broader U.S.–Iran, Iran–Israel, and U.S.–Israel tracks. If Iran gains material returns but fails to restore institutional coherence, recovery may deepen internal competition. If Iran institutionalizes leverage too aggressively, it may trigger renewed pressure from the United States, Israel, Gulf states, or external commercial actors. If Iran accepts excessive constraints, it may face domestic criticism for failing to convert wartime endurance into tangible gains.

2.3 Five Interacting Post-MOU Pressures

The analysis focuses on five interacting pressures.

First, material recovery pressure includes reconstruction, financing, energy restoration, infrastructure repair, inflation control, liquidity management, and public compensation. Second, institutional recovery pressure includes the reintegration of wartime authorities into regular state structures. Third, bargaining pressure includes sanctions sequencing, Hormuz governance, nuclear rights, oil-export access, and security guarantees. Fourth, network-management pressure includes relations with proxies, Gulf states, China, Russia, Western-linked commercial systems, and northern logistics corridors. Fifth, internal-security pressure includes counter-infiltration, social stability, legitimacy, information control, and post-MOU political narrative.

These pressures are connected. Reconstruction financing may reshape elite power. Proxy restraint may affect sanctions relief. Hormuz governance may affect oil-export insurance. Counter-infiltration campaigns may influence foreign investment confidence. Wartime political narratives may narrow usable recovery channels. The assessment is therefore conditional and may change if renewed escalation, Israeli action, sanctions snapback, verification disputes, or domestic resistance alter the MOU's implementation.

3. Post-MOU Recovery: Reconstruction, Financing, Inflation Control, and Economic Sequencing

3.1 Reconstruction as a Governance Problem

Iran's first challenge is material recovery. War damage to military sites, energy infrastructure, ports, transport networks, industrial systems, and public services will require large-scale reconstruction. A reported recovery requirement of approximately \$300 billion would not simply be an economic target. It would become a fiscal, monetary, and political allocation problem (Reuters, 2026d).

The principal issue is not only whether reconstruction funds are secured, but how they arrive, how quickly they become usable, and who controls them. Reconstruction financing could include released frozen assets, oil-export revenue, sanctions waivers, foreign credit lines, sovereign-to-sovereign project finance, commodity-backed lending, concessional reconstruction channels, and direct infrastructure contracts. These instruments differ in convertibility, political visibility, compliance risk, budgetary control, and long-term dependency. As a result, the headline size of a recovery package may matter less than the channels through which it enters the Iranian economy.

3.2 The \$24–25 Billion Liquidity Bridge

The reported release of approximately \$24–25 billion in frozen or restricted Iranian assets should be treated as an early liquidity bridge rather than a full reconstruction solution. Reuters reporting has described Iranian efforts to secure the release of around \$24 billion in frozen funds and later cited a senior Iranian official saying that draft terms included the release of \$25 billion in frozen Iranian assets (Reuters, 2026a, 2026b). It may help stabilize foreign-exchange reserves, finance urgent imports, support the currency, and cover immediate reconstruction or compensation needs. However, it cannot by itself resolve the broader \$300 billion recovery burden.

Its strategic value depends on whether it restores macroeconomic confidence, reduces shortages, and supports targeted imports, or whether it is absorbed into opaque contracting, elite distribution, or short-term fiscal consumption. In this sense, the problem is not only the amount released, but the degree to which released funds are convertible, usable, sequenced, and institutionally controlled.

3.3 Inflation Control and Economic Sequencing

Iran will also need to suppress wartime inflation while restarting reconstruction. Iran has faced persistent inflationary pressure under sanctions and macroeconomic constraint, and reconstruction spending could either ease or amplify these pressures depending on how liquidity enters the economy (International Monetary Fund, 2022; World Bank, 2024). If released assets and reconstruction funds are converted rapidly into domestic spending without corresponding increases in import capacity, supply availability, and exchange-rate stability, they could intensify inflationary pressure. If the state holds funds too tightly, however, the public may see little material benefit from the post-MOU framework.

This creates a sequencing problem. Iran will need to decide whether early funds should prioritize food and medicine imports, fuel supply, electricity restoration, port normalization, currency defense, housing compensation, military repair, or strategic infrastructure. Security institutions may prioritize missile, air-defense, hardened infrastructure, and command-network recovery. Civilian authorities may prioritize electricity, employment, inflation control, and public compensation. External partners may prioritize ports, logistics corridors, oil production, and debt-secured infrastructure.

3.4 Wartime Political Positioning and Recovery Channels

A further constraint is the wartime consolidation of resistance-oriented political positioning toward the West. During the conflict, this posture may have strengthened domestic mobilization and reinforced the legitimacy of security-centered institutions. In the recovery phase, however, it may narrow the range of politically usable economic channels, especially if Western firms, banks, insurers, and technology providers remain cautious because of compliance uncertainty, reputational exposure, or the risk of renewed restrictions.

The result could be a recovery model more dependent on non-Western financing, state-linked procurement, and security-filtered external engagement (Spruk, 2026; World Bank, 2024). This does not mean Iran will reject all Western-linked channels. It means those channels may be politically harder to justify, legally harder to use, and commercially harder to activate than headline sanctions relief would suggest.

3.5 Distribution, Institutional Control, and Fragmented Recovery

The distribution channel is equally important. If major contracts are routed through Revolutionary Guard-linked firms, parastatal foundations, and security-controlled engineering networks, reconstruction may reinforce wartime power structures. The IRGC has long maintained significant influence across security, infrastructure, and economic sectors, including through engineering and construction-linked entities (Council on Foreign Relations, 2026; Middle East Institute, 2018). If funding is channeled through state ministries, provincial authorities, and civilian infrastructure programs, the elected government may recover administrative relevance. If foreign financing is tied to China, Russia, or Gulf intermediaries, the recovery process may produce external dependency in exchange for liquidity and technical capacity.

The risk is fragmented recovery. A large nominal financing package may fail to generate state recovery if procurement is opaque, sanctions relief is partial, insurance markets remain cautious, and foreign firms face compliance risk. In that environment, strategic sectors may recover faster than civilian confidence. This is particularly relevant because oil export normalization depends not only on production capacity, but also on sanctions relief, shipping confidence, insurance availability, and payment channels (Reuters, 2026e, 2026f).

Iran therefore faces a reconstruction-governance problem. The state must demonstrate that wartime endurance produces visible post-MOU improvement while preventing recovery funds from becoming inflationary, factionalized, or externally dependent. If reconstruction benefits are captured by elite networks while ordinary citizens continue to face inflation, infrastructure shortages, and limited employment gains, strategic survival may not translate into domestic legitimacy.

4. Power Recovery: From Wartime Decentralization to Peacetime Control

4.1 Wartime Delegation and Institutional Reabsorption

The next challenge is institutional power recovery. During wartime, authority is often delegated to military commands, emergency committees, local security units, intelligence structures, port authorities, energy managers, and crisis-response bodies. These arrangements can improve wartime responsiveness but complicate post-MOU normalization.

The central issue is whether Tehran can reclaim temporary authorities without provoking internal friction. Wartime control over borders, logistics, telecommunications, ports, fuel distribution, procurement, and internal security may have expanded the operational role of military and security institutions. Once embedded, these authorities rarely disappear automatically. In networked conflict environments, control is not a fixed attribute of leadership; it depends on whether institutions can absorb pressure, maintain coordination, and prevent reinforcing feedback loops from overwhelming regulatory capacity (Wu, 2026a).

4.2 The IRGC, Civilian Government, and Religious Institutions

This challenge is especially important for the relationship among the government, the Revolutionary Guard, and religious power centers. The Revolutionary Guard may emerge with strengthened legitimacy because of its role in military resilience, missile operations, maritime pressure, internal security, and proxy coordination. Civilian institutions may argue that post-MOU recovery requires administrative normalization and external economic engagement. Religious institutions may seek to preserve ideological coherence and prevent post-MOU compromise from appearing as strategic dilution.

The political economy of reconstruction is therefore likely to overlap with institutional competition, especially given the IRGC's long-standing role in security, infrastructure, and state-linked economic activity (Council on Foreign Relations, 2026; Middle East Institute, 2018). These tensions do not necessarily imply institutional rupture. More likely, they will produce negotiated adjustment. The government may regain authority in fiscal management and diplomacy while the Revolutionary Guard retains influence in defense, infrastructure, ports, energy security, and reconstruction contracting. Religious institutions may act as arbiters, preserving system continuity while preventing any single branch from monopolizing the post-MOU settlement.

4.3 The Politics of Post-MOU Victory Ownership

The post-MOU political narrative will intensify this power-recovery problem. Iranian leaders are likely to frame the agreement as evidence that resistance produced recognition, asset release, sanctions relief, maritime leverage, and nuclear sequencing. This narrative can support regime cohesion, but it also creates ownership disputes. Security institutions may claim that military resilience produced the settlement. Civilian authorities may argue that diplomacy converted wartime leverage into usable gains. Religious institutions may seek to preserve the ideological meaning of resistance while preventing the MOU from appearing as compromise under pressure.

As a result, the agreement may become not only an external diplomatic framework, but also an internal contest over who owns the victory and who controls implementation. The policy problem for Iran is that wartime success can make demobilization harder. Actors that gained authority during conflict may resist a return to prewar administrative boundaries. If power recovery is too abrupt, it could trigger elite resistance. If it is too slow, Iran may remain in a semi-emergency governance mode, limiting economic recovery and foreign confidence.

5. External Leverage Institutionalization: Hormuz, Nuclear Rights, Oil Exports, and Sanctions

5.1 Hormuz as Managed Leverage

A third pressure concerns the institutionalization of external leverage. Its principal assets include the Strait of Hormuz, nuclear sequencing, oil-export access, sanctions relief, frozen assets, reconstruction channels, and security guarantees. Each asset is valuable, but each becomes less flexible once placed inside a formal mechanism.

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Hormuz is the most visible example. During conflict, maritime pressure functions as leverage because it affects energy markets, insurance costs, shipping decisions, and third-party risk calculations. The Strait of Hormuz remains a critical global oil transit chokepoint, and disruption at scale can transform a regional conflict into a systemic maritime and energy-market problem (Energy Information Administration, 2025; Energy Information Administration, n.d.). After a ceasefire or memorandum, however, the same leverage becomes harder to use without appearing to violate the settlement framework.

If a Hormuz management mechanism is created, Iran may gain procedural recognition, but it may also face limits on unilateral closure, selective restriction, tolling, inspection, or discretionary access control. Under the United Nations Convention on the Law of the Sea, straits used for international navigation operate under legal expectations of transit passage, even though the legal and political interpretation of coercive restrictions remains contested in wartime settings (United Nations, 1982a, 1982b; *Opinio Juris*, 2026).

5.2 Nuclear Sequencing and Verification

The nuclear file presents a similar trade-off. Iran may seek recognition of its claimed right to peaceful nuclear development and domestic enrichment under a negotiated framework. The United States and its partners will likely prioritize verification, stockpile accounting, enrichment limits, compliance triggers, and reversibility. The IAEA's safeguards reporting remains central to how external actors assess Iran's nuclear obligations and compliance environment (International Atomic Energy Agency, 2026a, 2026b).

A likely compromise would defer the hardest questions into technical talks, creating a sequenced process rather than a final settlement. This may preserve Iranian sovereignty claims, but it also subjects nuclear leverage to monitoring and conditionality.

5.3 Oil Exports, Sanctions Relief, and Snapback Risk

Oil exports and sanctions relief create another sequencing problem. Iran needs early material gains to validate restraint. These may include limited asset release, oil waivers, insurance access, banking channels, port reopening, and humanitarian or reconstruction exemptions. The United States is likely to prefer phased, reversible relief tied to compliance benchmarks.

This creates a bargaining structure in which Iran receives partial benefits but remains exposed to snapback pressure. Prior analysis of the 85-day conflict described this as Iranian leverage institutionalization interacting with U.S. objective compression: Tehran sought to broaden the settlement agenda, while Washington narrowed its immediate objectives toward ceasefire, navigation, nuclear risk management, and procedural control (Wu, 2026c).

5.4 Leverage as Constraint

The MOU's provisional character makes this institutionalization problem more difficult. If Tehran treats the framework as a final recognition of Iranian leverage, it may overextend claims on Hormuz, sanctions relief, or nuclear sovereignty. If it treats the framework too cautiously, it may fail to convert wartime endurance into visible gains. The challenge is to preserve bargaining assets while avoiding behavior that gives the United States, Israel, or Gulf partners grounds to reinterpret the MOU as non-compliance.

The core risk for Iran is that institutionalization may convert leverage into constraint. The same tools that gave Tehran bargaining relevance during the conflict could become regulated obligations after it. Iran's task is therefore to secure benefits without accepting a settlement architecture that permanently reduces its freedom of action.

6. Strategic Network Rebalancing: Non-Alignment, Proxies, and External Corridors

6.1 Eastern-Leaning Non-Alignment

A fourth pressure concerns strategic network management. The post-MOU period will force Tehran to clarify its external orientation without eliminating ambiguity. Iran is unlikely to choose a clean Western normalization pathway, because wartime mobilization, sanctions memory, security distrust, and institutional interests all favor continued resistance to Western pressure. At the same time, Iran is unlikely to become a fully subordinate member of an Eastern bloc.

Iran's likely posture is best understood as Eastern-leaning non-alignment: reliance on China, Russia, and Eurasian routes for strategic depth, while preserving selective channels to Western-linked finance, technology, insurance, and energy markets where practical recovery requires them. This position is not neutrality in the traditional sense. It is better understood as selective alignment under constraint. Iran will seek to use Chinese demand, Russian connectivity, Gulf-state pragmatism, and non-Western financing to reduce vulnerability to Western coercion. Yet reconstruction, oil exports, maritime insurance, banking access, and technology imports may still require some degree of engagement with Western-regulated systems.

6.2 Proxy Governance and Escalation Control

Proxy management is the most immediate regional issue. Iran-aligned actors in Lebanon, Iraq, Yemen, and Syria may expect compensation, resupply, political recognition, or continued deterrence support after the war. Iran cannot simply demobilize these networks without weakening its regional position. At the same time, uncontrolled proxy activity could disrupt negotiations, invite Israeli retaliation, or provide Washington with justification for renewed pressure. Iran's proxy networks have long functioned as instruments of forward defense and regional influence, but they also create command, attribution, and escalation-management problems (Center for Strategic and International Studies, 2019; Reuters, 2026c; Wu, 2026d).

Iran must therefore pursue calibrated proxy governance. This may include reduced visibility of support, indirect resupply, operational restraint, compartmentalized command channels, and selective incorporation of proxy fronts into broader de-escalation language. The objective would be to preserve deterrence while reducing uncontrolled escalation risk. This is especially important because the broader U.S.–Israel–Iran conflict is increasingly fragmented into separate but connected tracks: U.S.–Iran termination, Iran–Israel deterrence, and U.S.–Israel alliance management (Wu, 2026e).

6.3 Gulf States and Maritime Security Architecture

Gulf-state management is equally important. Iran may seek to present itself as a necessary participant in regional security and maritime governance. Gulf states, however, will likely resist any arrangement that grants Tehran unilateral authority over shipping, energy flows, or security architecture. They may accept procedural engagement with Iran while also seeking U.S., European, Chinese, or multilateral guarantees against coercion.

This creates a delicate policy balance. Iran needs procedural recognition to convert wartime maritime leverage into post-MOU relevance. Gulf states need assurance that recognition will not become coercive authority. Any regional maritime-security architecture will therefore need to distinguish between Iran's participation in dispute management and any claim to unilateral control over transit, inspection, or access.

6.4 Northern Corridors, China, and Russia

The northern dimension adds strategic depth but not full independence. Caspian and overland routes through Russia and Central Asia can support continuity, selective replenishment, and sanctions adaptation. They cannot fully replace Persian Gulf-scale maritime access. Prior assessment of Russia–Iran northern supply capacity described the system as a threshold-delaying sustainment network rather than a surge logistics architecture or full replacement for southern maritime access (Wu, 2026b). Broader analysis of Russia–Iran connectivity similarly emphasizes that north-south linkage can improve resilience while remaining constrained by infrastructure, sanctions, and geopolitical friction (Asian Development Bank, n.d.; Center for Strategic and International Studies, 2026).

China and Russia are therefore useful but not cost-free partners. China can provide demand-side support for Iranian energy exports, infrastructure finance, and partial insulation from Western pressure. Russia can support northern connectivity, security coordination, and diplomatic shielding. Yet both relationships may impose pricing, dependence, and strategic asymmetry. Iran's challenge is to benefit from Eurasian alignment without becoming a subordinate logistics, energy, or sanctions-adaptation node.

6.5 The Politics of Strategic Narrative

The MOU will also require a postwar political narrative. Iranian leaders are likely to frame the agreement as a victory of endurance rather than as a concession. The central narrative will be that resistance compelled recognition: assets were released, sanctions relief entered the agenda, Hormuz could not be ignored, nuclear issues were sequenced rather than surrendered, and reconstruction became an international concern. This narrative is politically useful because it allows Tehran to justify restraint without appearing defeated.

However, the same narrative creates constraints. If the MOU is presented too strongly as a victory over Western pressure, domestic actors may resist any recovery mechanism that appears to rely heavily on Western banks, firms, insurers, or technical providers. If it is presented too technocratically as economic normalization, security institutions may argue that wartime sacrifices are being converted into vulnerability. Tehran must therefore balance two narratives: resistance as the source of leverage, and reconstruction as the test of governance. Failure to balance the two could turn the MOU from a political asset into a domestic contest over who owns the victory.

7. National Security and Social Stability: Counter-Infiltration, Legitimacy, and Governance Confidence

7.1 Counter-Infiltration and Internal Security

The final pressure concerns internal stabilization. After a high-intensity conflict, the state will likely intensify counter-infiltration efforts. These may include investigations into intelligence leaks, targeting data, cyber penetration, financial networks, media influence, sabotage cells, and foreign-linked civil society channels.

A focused counter-infiltration campaign could improve security. An expansive campaign could produce political risk. If counter-infiltration becomes a vehicle for factional purges, suppression of dissent, or institutional blame-shifting, it may damage administrative capacity and discourage foreign investment. The more reconstruction depends on external financing and technical cooperation, the more Iran will need a predictable legal and security environment.

7.2 From Resistance Legitimacy to Delivery Legitimacy

Domestic legitimacy will also shift from resistance to delivery. During war, the state can mobilize around sovereignty, sacrifice, and external threat. After war, legitimacy depends more heavily on living conditions. The public will evaluate whether strategic endurance produces lower inflation, improved electricity supply, employment, housing reconstruction, restored banking channels, and credible compensation for affected families and businesses. Long-term economic and institutional outcomes in Iran are shaped not only by sanctions and external confrontation, but also by domestic governance quality, institutional constraints, and investment conditions (Spruk, 2026; World Bank, 2024).

The post-MOU political narrative will also shape internal security behavior. If the agreement is framed as a victory of resistance, the state may justify continued vigilance against infiltration, sabotage, and information operations. If framed as an opening for recovery, it may require a less restrictive environment for trade, investment, technology transfer, and social confidence. These two requirements may conflict. Excessive securitization could protect the state but weaken recovery. Excessive opening could support recovery but increase perceived vulnerability among security institutions.

7.3 Digital Governance and Recovery Confidence

Digital governance is another component. Wartime internet restrictions and financial controls may be justified on security grounds, but prolonged closure would weaken technology sectors, education, trade, and youth confidence. Recent research on Iran's internet shutdowns suggests that network restrictions can create deep divergence between formal connectivity and actual usability, with broader implications for social trust, economic activity, and information control (Sadeghi Jahromi & Jaskolka, 2026).

The most serious domestic risk is a legitimacy gap. If the leadership claims strategic victory while citizens experience only austerity, surveillance, and uneven reconstruction, the state may face political fatigue. Conversely, if reconstruction produces visible improvement and sanctions relief is tangible, the post-MOU framework may strengthen the regime's claim that resistance delivered material gains.

8. Discussion: From Leverage Accumulation to Governance Capacity

Iran's post-MOU challenge can be understood as a conversion problem. During conflict, leverage can be accumulated through disruption, risk creation, territorial depth, proxy activity, maritime pressure, and nuclear ambiguity. After a de-escalation framework emerges, these same instruments must be translated into institutionalized benefits. The difficulty is that instruments designed for pressure are not always compatible with recovery.

This creates a structural dilemma. If Iran preserves too much wartime flexibility, external actors may interpret its behavior as non-compliance or renewed coercion. If Iran accepts too much institutionalization, domestic actors may interpret the MOU as a constraint on the gains produced by wartime endurance. The state must therefore manage a dual transition: from external leverage to negotiated benefit, and from emergency authority to regular governance.

The most important variable is not the nominal size of Iran's gains, but the state's capacity to sequence them. Reconstruction funds must be converted into visible public improvement without triggering inflation or elite capture. Sanctions relief must be meaningful enough to create incentives but conditional enough to remain credible to external actors. Hormuz leverage must be institutionalized without becoming either unilateral coercive authority or meaningless symbolic participation. Proxy discipline must reduce escalation risk without appearing to abandon Iran's regional network. Counter-infiltration must protect state security without undermining recovery confidence.

Iran's likely external posture follows from this dilemma. Eastern-leaning non-alignment offers a way to preserve resistance-oriented legitimacy while accessing non-Western finance, infrastructure, and diplomatic shielding. Yet this posture cannot fully replace Western-regulated systems. Oil exports, insurance, technology transfer, banking access, and reconstruction finance still intersect with Western-linked compliance and market structures. Iran's post-MOU strategy will therefore depend on whether it can use Eastern depth without becoming strategically subordinate, and whether it can use Western-linked channels without undermining its domestic political narrative.

9. Policy Implications

External actors should treat Iran's post-MOU trajectory as a governance problem, not a binary rise-or-collapse scenario. Tehran may gain leverage without gaining stability if reconstruction, sanctions relief, proxy discipline, and institutional control move at different speeds. The MOU should therefore be treated as an interim framework whose implementation depends on nuclear sequencing, sanctions relief, Hormuz governance, verification, Israeli security concerns, and proxy restraint.

Settlement architecture should separate ceasefire management, sanctions relief, maritime governance, nuclear sequencing, and proxy discipline. Treating these issues as a single package would increase failure risk. Hormuz arrangements should prioritize transit continuity, insurance normalization, monitoring, and dispute resolution while avoiding two opposite risks: legitimizing coercive restriction or denying Iran any procedural stake in regional maritime security.

Sanctions relief should be phased but materially meaningful. Symbolic relief that fails to improve exports, banking access, reconstruction financing, or insurance conditions would weaken incentives for compliance. At the same time, unconditional relief without verification would reduce leverage over nuclear, maritime, and proxy behavior.

Proxy restraint cannot be assumed. It requires indirect monitoring, regional communication channels, and mechanisms that allow Iran to lower operational tempo without appearing to abandon its partners. This issue is inseparable from the Israel variable: even if the U.S.–Iran track de-escalates, Iran–Israel deterrence and U.S.–Israel alliance management may remain active sources of instability.

Reconstruction transparency matters. A recovery process dominated by opaque security-linked contracting may restore infrastructure while weakening long-term governance confidence. Economic recovery will depend not only on funding, but on institutional credibility, compliance channels, and visible public improvement. Iran's external orientation should also be understood as Eastern-leaning non-alignment: Tehran may rely on China, Russia, and Eurasian routes for strategic depth while still needing Western-regulated finance, insurance, technology, and energy-market channels for meaningful recovery.

10. Limitations

This working paper is an analytical assessment, not a predictive forecast. It identifies structural pressures likely to shape Iran's post-MOU trajectory but does not assign probabilities to specific outcomes. The analysis relies on publicly available information, scenario-based interpretation, and prior conceptual work; it does not use classified intelligence, confidential diplomatic texts, or independently verified battlefield damage assessments.

The MOU is treated as provisional. Its final legal status, implementation sequence, verification mechanisms, sanctions architecture, and handling of Israeli security concerns remain uncertain. The analysis may change if Israel rejects the framework more forcefully, resumes operations against Iranian-linked targets, or if U.S.–Israel coordination diverges over enforcement, proxy monitoring, or nuclear sequencing.

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The scale and usability of recovery financing remain uncertain. The figures of \$300 billion in reconstruction needs and approximately \$24–25 billion in frozen or restricted assets are treated as reported or scenario-based reference points. Their final value, timing, convertibility, allocation mechanism, and usable purchasing power may change depending on sanctions implementation, exchange-rate conditions, oil-export recovery, external financing, and domestic institutional control.

Conclusion

Iran's post-MOU challenge is not simply reconstruction. It is strategic conversion. Tehran must convert wartime endurance into economic recovery, military reconstitution into institutional control, maritime leverage into governed access, proxy depth into disciplined deterrence, and counter-infiltration into state security without triggering internal overreach.

The central question is whether Iran can govern the leverage it has accumulated. If it can, the conflict may strengthen Iran's role as an Eastern-leaning but formally non-aligned regional network node. If it cannot, the same leverage may become a source of fragmentation, elite competition, external dependency, and renewed escalation. The MOU should therefore not be read as the end of Iran's postwar problem. It is the beginning of a more complex test: whether Tehran can convert wartime resistance into reconstruction, institutional control, disciplined regional influence, and a sustainable position between East, West, and strategic autonomy.

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