

Iran-US MOU being tested, differences persist over Strait of Hormuz and India-US relations

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Tridivesh Singh Maini

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Iran has invited PM Modi for the funeral of Iranian supreme leader late Ayatollah Ali Khamenei. Khamenei was killed in US-Israel strikes when the war began on February 28. PM Modi is unlikely to attend the funeral himself. New Delhi is likely to send a senior delegation for the funeral which will be held between July 4 and July 9.

India needs to do a very careful balancing act on this issue. India shares an important relationship with Iran -- which is driven by many factors. The most important is the fact that the Strait of Hormuz -- via which 40% of India's crude oil imports pass -- is located near Iran. India has also invested in the strategically important Chabahar Port project. While the expiry of the US sanctions waiver for the project as well as the West Asia conflict itself has put a question mark on the project -- Chabahar is important for India as a gateway to Afghanistan and Central Asia. No representation would have an adverse impact on ties with Iran. On the other hand, high profile presence at the funeral may not go down well with the US and Israel.

Iran strikes a cargo ship, US responds strongly

Iran struck a cargo ship, M/V Ever Lovely, in the Strait of Hormuz on June 25, despite the agreement reached between both countries. Tehran said that the vessel had been struck because it was using an unauthorised route. In response, the US struck multiple missile and drone facilities in Iran on June 26. The US Central Command (Centcom) dubbed the strikes as a “powerful response” to Iranian attack on M/V Ever Lovely. The US military launched another attack on Iranian military sites after Iran attacked a Panama-flagged tanker M/T Kiku near the Strait of Hormuz.

US Centcom in a statement said, “US military aircraft targeted Iranian military surveillance infrastructure, communication systems, air defence sites, drone storage facilities, and minelayer capabilities”.

US President Donald Trump said that if the US is compelled to “resume” the war, then Iran “will no longer exist”.

Recent tensions between US and Iran will pose a major challenge to the US-Iran MOU.

On June 29, Iran and US both agreed to pause attacks. Talks which were to be held in Switzerland will be held in Doha, Qatar on June 30.

Iran’s plan to charge ships passing through the Strait of Hormuz and the US response

Iran has recently proposed a plan via which ships passing through the Strait of Hormuz will be charged. According to a report in the Wall Street Journal, ships will be charged for services – including, safety, security and environmental protection. Iran could generate \$ 40 billion through this plan. The plan has already been discussed with other Gulf countries.

During his Gulf visit, US Secretary of State Marco Rubio assured members of Gulf Cooperation Council (GCC) member states that their interests would not be overlooked in a

US-Iran deal. In a reference to the Iranian proposal for charging ships passing through the Strait of Hormuz he said such a situation would lead to “total chaos”.

Speaking at a meeting of Foreign Ministers in Bahrain, while alluding to a situation where Tehran “threatens” or blocs ships via the Strait of Hormuz Rubio said, “no country on Earth has the right to charge for the use of international waterways”.

During his earlier stops at UAE and Kuwait, Rubio had reiterated a similar point.

Oman has also rejected Iran’s proposal for charging ships passing through the Strait.

India-US relations and trade talks

Speaking a day after the conclusion of ongoing trade talks between India and the US, on June 25, the Commerce Minister Piyush Goyal said that a trade agreement would only be signed if Washington provided India with a “competitive edge” over ASEAN nations and China. Said Goyal, “And until the framework of getting that competitive advantage can be finalised, we cannot bring a US deal into force. That is broadly the discussion. I don't think I can be more transparent than that,”

In the February framework agreement, tariffs on India, at 18% were lower than neighbouring countries in South Asia – Bangladesh (20%) Sri Lanka (20%) and Pakistan (19%) and ASEAN countries.

He also pointed to the US Supreme court's decision of declaring reciprocal tariffs as “invalid”. Said Goyal “With the US Supreme Court striking down the reciprocal tariffs and now with 10% tariffs that expire on July 24, we obviously have to have some reason to be able to bring the agreement that we had agreed upon into force.”

In an interview with IANS, US Secretary of State Marco Rubio said that both countries were moving towards the “conclusion” of a trade deal. He also said that US President Donald Trump and PM Modi had a “great meeting” on the sidelines of the G7 Summit in Evian (France). The US Secretary of State also said that India was a “close partner and ally” of the US. Rubio also pointed towards a possible visit to India by Trump in early 2027.

In conclusion, even in the aftermath of the MOU signed between the US and Iran differences persist over the Strait of Hormuz. The recent attacks on commercial vessels by Iran and strong retaliation by the US are an important reiteration of the same. It also remains to be seen whether Iran's proposed plan of charging ships passing through the Strait of Hormuz will be acceptable to other countries – Iran has already discussed the plan with other GCC states as discussed earlier. India will need to walk a diplomatic tightrope regarding representation for the late Ayatollah Ali Khamenei's funeral. While the meeting between PM Modi and US President Donald Trump on the sidelines of the G7 Summit was important in the context of bilateral ties, it remains to be seen how both sides will resolve differences on trade issues.

(Disclaimer: The views expressed above are the author's own and do not reflect those of DNA)

(The author is a policy analyst and faculty member at the Jindal School of International Affairs, OP Jindal Global University, Sonipat)