

Iran Update Special Report, August 17, 2026



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Analyst Notes: Data Cutoff: 2:00 PM ET

The Institute for the Study of War (ISW) and The Critical Threats Project (CTP) at the American Enterprise Institute are publishing daily updates to provide analysis on the war with Iran. The updates cover events from the past 24-hour period.

Note: ISW-CTP will pause publishing weekend updates starting on August 15, 2026. ISW-CTP may publish special updates on Saturdays and Sundays if events warrant, however.

Key Takeaways

1. The Iranian regime is signaling that it would prefer to continue or even escalate fighting with the United States and its regional partners rather than make any serious concessions regarding its maximalist demands if the regime cannot force them to accede to Iran's demands. Recent Iranian threats are likely intended to coerce the United States to surrender to Iranian demands as well as to restore deterrence vis-à-vis the United States and its regional partners by signaling the regime's willingness to expand the scope of its attacks and conduct preemptive attacks.
2. The regime is likely simultaneously preparing to try to make fighting more costly for the United States should there be a renewal in hostilities. *The Wall Street Journal (WSJ)* reported that the Islamic Revolutionary Guards Corps (IRGC) "used the calm created by the [memorandum of understanding (MOU)]" to coordinate attack plans with its partners and proxies in the region.
3. IRGC Commander Major General Ahmad Vahidi and his inner circle would likely accept a deal with the United States if the United States surrendered to the regime's demands. Vahidi's actions suggest that Vahidi and his faction are unlikely to accept a deal that falls short, even if failing to reach an agreement would risk renewed conflict.
4. Vahidi's faction may be willing to accept some economic costs and potential unrest if doing so enables them to achieve their core objectives. Some Iranian officials and media have expressed concerns in recent weeks about Iran's worsening economic conditions and the potential for domestic unrest. It is unclear whether the risk of internal unrest would be sufficient to drive Vahidi to make concessions to receive economic relief, however. Vahidi may prefer to take other actions, such as securitizing society and seeking alternative export routes, to mitigate the risks of domestic unrest and economic collapse.

Toplines

The Iranian regime is signaling that it would prefer to continue or even escalate fighting with the United States and its regional partners rather than make any serious concessions regarding its maximalist demands if the regime cannot force them to accede to Iran's demands. The regime is signaling that it could expand the scope and severity of its attacks against the United States and its allies if they do not acquiesce to Iran's maximalist demands, which include lifting the US naval blockade and US sanctions, securing recognition of Iran's control over the Strait of Hormuz, and stopping regional cooperation on policies the regime deems hostile to its interests, among others. The Islamic Revolutionary Guards Corps (IRGC) has reportedly devised new plans for further escalation, including preemptive strikes on internet cables in the Persian Gulf, fomenting domestic unrest in countries with Shia communities like Kuwait and Bahrain, and "potentially" ground operations in Kuwait, according to Iranian officials speaking to the *Wall Street Journal (WSJ)* and public statements.[1] Iranian officials' decision to publicize these plans to *WSJ* was likely meant to have an informational effect, even if the regime is seriously considering these options. Senior Iranian military commanders, including IRGC Political Deputy Yadollah Javani, have warned in recent days that Iran is shifting to an "offensive posture." [2] A senior Iranian official similarly told Reuters on August 17 that Iran will adopt a "fully offensive" posture and conduct an attack to break the US naval blockade if diplomatic efforts to lift the blockade fail.[3] These threats are likely intended to coerce the United States to surrender to Iranian demands as well as to restore deterrence vis-à-vis the United States and its regional partners by signaling the regime's willingness to expand the scope of its attacks and conduct preemptive attacks.

The regime is likely simultaneously preparing to try to make fighting more costly for the United States should there be a renewal of hostilities. The *WSJ* report added that the IRGC "used the calm created by the [memorandum of understanding (MOU)]" to coordinate attack plans with its partners and proxies in the region.[4] Officials familiar with Arab intelligence findings said that the Iranian regime sent advisers to Iraq, Yemen, and Lebanon to discuss plans, including a plan for confrontation with Saudi Arabia in coordination with Iranian-backed Iraqi militias and the Houthis.[5] The IRGC reportedly supervised the deployment of "missiles, naval weapons, and drone launchers" to positions around the Red Sea, provided the Houthis with intelligence and target lists, including Saudi ports and energy facilities, and advised the Houthis on how to defend against Saudi retaliation.[6] ISW-CTP has repeatedly assessed that the Houthis' attacks on Saudi Arabia as well as its blockade on Saudi ports advance Iranian efforts to impose economic costs on the United States and its regional partners to erode their willingness to continue the war and force them to give in to Iranian demands. Arab intelligence officials similarly told *WSJ* on August 17 that Iran's hardline leadership, which ISW-CTP has assessed since March 2026 is dominated by IRGC Commander Major General Ahmad Vahidi, is preparing the Iranian armed forces to "widen the war" and "raise costs" for the United States and its allies.[7] This report is consistent with a *New York Times (NYT)* report on August 1 that senior IRGC Quds Force officers held calls with Hezbollah, Houthi, and Iraqi militia commanders during the ceasefire to coordinate efforts to expand the conflict with the United States.[8]

Vahidi and his inner circle would likely accept a deal with the United States if the United States surrendered to the regime's demands. Axios reported on August 17 that the United States tried to establish a diplomatic backchannel with Vahidi in May 2026 to determine whether the Iranian negotiating team's position accurately reflected Vahidi and his faction's demands, according to three sources with direct knowledge of the matter.[9] Vahidi reportedly communicated to the United States that he "fully" supported Iran's negotiating delegation and would "prefer to solve this crisis through negotiations." [10] Vahidi previously presumably approved the US-Iran MoU in April 2026, given his outsized role in decision-making in recent months and reports that Iranian negotiators did not have the

independent authority to approve the MoU.[11] Iranian leaders have interpreted the MoU differently from the United States, particularly its fifth clause regarding the Strait of Hormuz. The regime has interpreted the clause to mean that Iran would maintain control over the Strait of Hormuz, which diverges from the US interpretation.[12] Iran has since attacked ships that have attempted to bypass Iranian control in the strait to enforce its interpretation of the MoU. These actions suggest that Vahidi and his faction would likely accept a deal that meets their demands but are unlikely to accept one that falls short, even if failing to reach an agreement would risk renewed conflict.[13]

Vahidi's faction may be willing to accept some economic costs and potential unrest if doing so enables them to achieve their core objectives. Some Iranian officials and media have expressed concerns in recent weeks about Iran's worsening economic conditions and the potential for domestic unrest. Regime media outlet Mehr News Agency argued on August 17 that anti-regime media is trying to "create a perception of a nationwide crisis" by highlighting Iran's economic problems.[14] Mehr argued that this reporting is a "psychological operation" intended to amplify grievances among dissatisfied groups and encourage the belief among these groups that protests are the only way to solve the economic crisis.[15] Iranian First Vice President Mohammad Reza Aref separately stated on August 16 that the regime needs to confront US economic pressure through proper planning and policies and called for the regime to prepare for "worst-case scenarios," possibly referring to domestic unrest.[16] The recent Winter 2025-2026 protest wave was the largest wave of protests in Iran in recent years and stemmed from discontent about Iran's economic situation.[17] It is unclear whether the risk of internal unrest would be sufficient to drive Vahidi to make concessions to receive economic relief, however. Vahidi may prefer to take other actions, such as securitizing society and seeking alternative export routes, to mitigate the risks of domestic unrest and economic collapse.

Reports of growing regime concerns about Iran's economic conditions and the possibility of domestic unrest come amid Hossein Taeb's appointment as Basij commander on August 10.[18] Taeb has decades of experience in repressing anti-regime activities as a former Basij commander and the head of the IRGC Intelligence Organization.[19] Taeb led the Basij's brutal suppression of the 2009 Green Movement, for which the United States sanctioned him in 2010, for example.[20] Taeb's appointment may, in part, reflect the regime's anticipation of potential unrest amid mounting economic pressure.

US and Partner Military Operations

Nothing significant to report.

Iranian Strike Campaign

Assessed Iranian War Aims:

- Secure international recognition of Iranian control over the Strait of Hormuz
- Degrade the US ability and willingness to continue the war
- Restore deterrence vis-à-vis the United States and its regional partners
- Divide the United States and Israel from the Arab states

Iran reportedly launched two drones targeting Iraqi Kurdistan Regional Government (KRG) Prime Minister Masrour Barzani's office and the KRG's intelligence chief's residence in Erbil on August 17, according to the KRG.[21] The KRG security agency announced on August 17 that an unknown actor had launched two drones from Iranian territory at Barzani's home but did not clarify

whether the drones hit their intended target.[22] The agency reported that the attack did not cause any casualties.[23] Neither Iran nor any Iranian-backed group has claimed responsibility for the attacks at the time of this writing. Iranian Foreign Affairs Minister Abbas Araghchi, speaking to his Iraqi counterpart Fuad Hussein, and a senior Iranian official, speaking to Hezbollah-affiliated media, both denied Iran's involvement in the attacks.[24] The senior Iranian official claimed that Iran's adversaries conducted the attacks as a "false flag" operation.[25] Neither Iran nor Iranian-backed Iraqi militias claimed responsibility for a similar attack on KRG President Nechirvan Barzani's house on March 28.[26] Several militias condemned the attack at the time.[27] Iraqi militias have conducted several drone attacks on targets in Erbil since the beginning of the war on February 28, but these attacks have largely been concentrated on US positions.[28]

US-Iran Negotiations

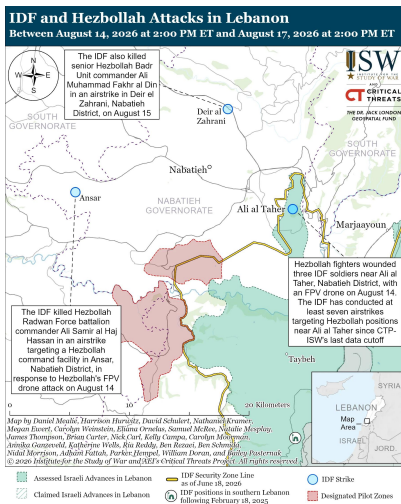
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Iranian Domestic Affairs

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Lebanon

The Israel Defense Forces (IDF) conducted airstrikes targeting Hezbollah commanders following a Hezbollah drone attack that injured three IDF soldiers operating in Ali al Taher, Nabatieh Governorate, on August 14.[29] The IDF reported that it killed Hezbollah Radwan Force battalion commander Ali Samir al Haj Hassan in an airstrike targeting a Hezbollah command facility in Ansar, Nabatieh Governorate, on August 14 in response to a Hezbollah first-person view (FPV) drone attack in Ali al Taher.[30] The Radwan Force is Hezbollah's elite special operations unit that conducts cross-border infiltrations and attacks on Israeli positions.[31] The IDF reported that it also killed senior Hezbollah Badr Unit commander Ali Muhammad Fakhr al Din in a separate airstrike in Deir el Zahrani, Nabatieh Governorate, on August 15.[32] The Badr Unit is one of Hezbollah's geographic units and is responsible for the area north of the Litani River, particularly around Nabatieh District and the southern Bekaa Valley. The Badr Unit is one of the main Hezbollah units that has engaged Israeli forces in southern Lebanon.[33] Hezbollah claimed that the IDF strikes killed 11 people, including civilians, but did not acknowledge that its fighters were killed.[34] Hezbollah also has not claimed responsibility for the drone attack on August 14 at the time of this writing. The recent escalation in southern Lebanon has centered around control over Ali al Taher, which serves as a key reconnaissance position and launch site for Hezbollah. The area is also advantageous for the IDF to observe Hezbollah ground force movements given its high elevation.[35] An unspecified political source close to Hezbollah's leadership told UK-based, Saudi-owned media on August 17 that Hezbollah is prepared to fight "in full force" if the IDF attempts to seize Hezbollah's positions in Ali al Taher.[36] The IDF took "complete control" of the territory surrounding Ali al Taher in late June 2026, but the area still contains one of Hezbollah's largest underground command-and-control (C2) facilities and approximately 15 trapped Hezbollah fighters.[37] Israeli media reported on August 16 that the IDF seeks to kill the remaining Hezbollah fighters and destroy infrastructure in the area. The IDF has also blocked recent Hezbollah efforts to resupply its trapped fighters.[38]



The recent escalation in southern Lebanon may stall ongoing diplomatic efforts between Lebanon and Israel. Unspecified Lebanese military and diplomatic sources told Lebanese media on August 15 and 16 that Lebanon will not participate in direct negotiations with the United States and Israel in Rome in September 2026.[39] Lebanese President Joseph Aoun separately claimed on August 15 that the IDF strikes violated the June 26 Trilateral Framework Agreement.[40]

Iraq

There appear to be fissures within the Iranian-backed Badr Organization over its support for Iraqi Prime Minister Ali al Zaydi's efforts to disarm Iranian-backed Iraqi militias. Badr Organization Political Bureau head Mohammad Naji Mohammad issued a statement on August 14 that criticized Zaydi's disarmament efforts.[41] Mohammad added that no one, including the Iraqi prime minister, should be allowed to disarm the militias because doing so would cause "internal strife." Mohammad's comment completely disregards the militias' role in causing such strife by conducting attacks on US interests in Iraq and neighboring countries.[42] The militias' attacks in Iraq undermine Iraqi sovereignty and the Iraqi federal government's efforts to stay out of Iran's conflicts with the United States and Israel. Mohammad, also known as Abu Jassim al Askari, led Badr's Inspection and Investigations Directorate in the early 2000s, according to a Saddam Hussein-era Iraqi intelligence report on the Badr Organization.[43] Some Iraq analysts have also noted that Abu Jassim led several Badr units that facilitated attacks on the Iraqi Kurdistan Region in March and April 2026.[44] Mohammad's August 14 statement on disarmament notably appears to contradict Badr Organization Secretary General Hadi al Ameri's position on the issue. Ameri has played a key role in the Iraqi federal government's disarmament efforts in recent months, including by serving on the Shia Coordination Framework's disarmament committee.[45] The Badr Organization's media office denied the existence of that committee in early June, however, which could have been a response to internal Badr opposition to Ameri's involvement in the committee.[46]

The Iraqi Counter Terrorism Service (CTS) arrested Iranian-backed Iraqi militia Harakat Hezbollah al Nujaba reconnaissance unit leader Abbas Hussein Yaqubi in Dhi Qar Province on August 17.[47] A security source told Iraqi media on August 17 that CTS forces raided the Harakat Hezbollah reconnaissance unit leader's home in Dhi Qar Province.[48] The Iraqi Parliamentary Security and Defense Committee chairman confirmed to Kurdish media on August 17 that CTS Special Forces arrested Yaqubi, who is also the Popular Mobilization Forces (PMF) Baghdad Belt Operations Command intelligence director.[49] The PMF is an Iraqi security service that includes many Iranian-backed Iraqi militias, such as Harakat Hezbollah al Nujaba, that answer to Iran instead of the Iraqi prime minister.[50]

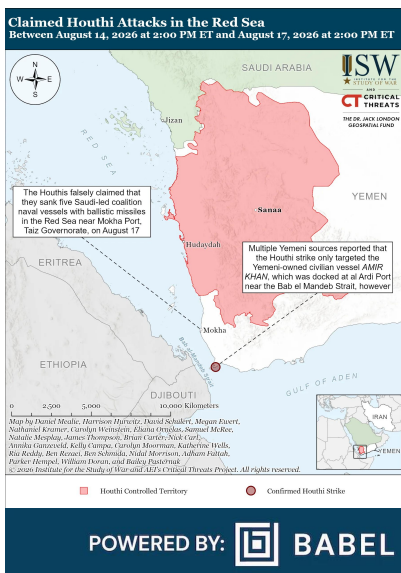
This operation follows several recent Iraqi government attempts to crack down on Iranian-backed Iraqi militias, including an attempted raid on a Harakat Hezbollah al Nujaba base in Jurf al Naddaf in late July 2026.[51] The arrest also comes amid indicators that the Iraqi federal government is preparing to use force to disarm Iranian-backed Iraqi militias.[52] Yaqubi's arrest could be part of a broader effort to set conditions for such an operation.

Some Iranian-backed Iraqi actors are portraying Iranian-backed Iraqi militias as defenders of Iraq's sovereignty to justify their continued existence, likely in an effort to build public support amid the Iraqi government's efforts to disarm the militias.[53] Iranian-backed Badr Organization Political Bureau head Mohammad Naji Mohammad stated on August 14 that Iraqi "resistance" was established to defend the "state."[54] A member of Iranian-backed Iraqi militia Asaib Ahl al Haq's political wing similarly stated on August 14 that the militias fought for Iraq's sovereignty and retain strong popular support.[55] These claims come as the Iraqi federal government has taken steps to crack down on the militias amid continued US pressure to curb Iranian influence in Iraq.[56] Some Iranian-backed Iraqi militia officials likely calculate that framing the militias as defenders of Iraqi sovereignty could generate public support for their continued armament and justify their continued existence.

Unspecified sources speaking to Saudi media on August 17 claimed that unspecified Iraqi armed factions are planning to assassinate Iraqi Supreme Judicial Council President Faiq Zaidan in response to the Iraqi government's disarmament efforts.[57] The sources indicated that the threats are directly related to the Iraqi government's militia disarmament and anti-corruption campaigns.[58] Zaidan has previously supported efforts to restrict weapons to the state.[59]

Arabian Peninsula

The Houthis are framing their attack on a Yemeni civilian vessel near the Bab al Mandeb Strait as a strike on Saudi-coalition naval vessels, likely to try to deter the Saudi-led multinational maritime defense coalition from operationalizing its mission to protect Red Sea maritime trade by signaling that the Houthis could target the coalition's vessels.[60] The Houthis claimed that they struck five Saudi-coalition naval vessels with ballistic missiles in the Red Sea near Mocha Port, Taiz Governorate, on August 17.[61] The Houthis added that they sank one Saudi-coalition landing craft and four nearby patrol boats.[62] Multiple Yemeni sources reported on August 17 that the Houthi strikes only targeted the *AMIR KHAN*, a Yemeni-owned civilian vessel docked in Al Ardi Port, near the Bab el Mandeb Strait, however.[63] The strike reportedly caused severe damage to the vessel and the harbor's berth but did not cause casualties.[64] The Houthi claim follows Saudi Arabia's July 2026 formation of a multinational maritime defense coalition tasked with protecting Red Sea shipping from Houthi and Iranian threats to the Bab al Mandeb Strait.[65] The Houthis' attempt to frame their recent attack on a Yemeni civilian vessel as an attack on the coalition's vessels likely served as an implicit threat and intended to signal the group's willingness to target Saudi-coalition naval vessels to deter the coalition from operationalizing its mission. ISW-CTP previously assessed that the Houthis likely view the coalition as a threat to their blockade of Saudi ports and vessels and the broader Houthi campaign to coerce Saudi Arabia into lifting its blockade of Houthi-controlled ports and airports.[66]



Endnotes

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Iran Update Special Report, August 18, 2026



Carolyn Moorman, Adham Fattah, William Doran, Julia Minassian, Emily Neuwirth, Aidan Skidds, Kelly Campa, Annika Ganzeveld

Analyst Notes: Data Cutoff: 2:00 PM ET

The Institute for the Study of War (ISW) and The Critical Threats Project (CTP) at the American Enterprise Institute are publishing daily updates to provide analysis on the war with Iran. The updates cover events from the past 24-hour period.

Note: *ISW-CTP will pause publishing weekend updates starting on August 15, 2026. ISW-CTP may publish special updates on Saturdays and Sundays if events warrant, however.*

Key Takeaways

1. Russia has continued to provide direct military support to Iran through weapons and weapons components transfers. NBC News reported on August 18 that Russia has transferred drone components, ammunition, and TNT explosives to Iran via the Caspian Sea as of July 2026, citing a European government document that NBC obtained and that an unspecified Western official verified.
2. Russia's drone component transfers to Iran are indicative of the active military support that Russia has provided Iran and its drone program in recent months. Iran has reportedly used "Russian-enhanced versions" of Shahed drones and Russian targeting intelligence to attack US forces and assets during the war, according to US intelligence officials.
3. The Emirati Defense Ministry stated that Iran launched two ballistic missiles at the United Arab Emirates (UAE) on August 18. The Emirati Defense Ministry added that its air defenses detected one ballistic missile that fell outside Emirati territorial waters and another that landed within them. Iranian regime media denied responsibility for the attack.
4. The Islamic Resistance in Iraq's recently released list of preconditions for discussing militia disarmament with the Iraqi federal government indicates that Islamic Resistance in Iraq militias have no intention of disarming.
5. Members of the Iraqi Parliament's Security and Defense Committee reportedly failed to reach a consensus on Iraqi Prime Minister Ali Zaydi's request for the committee to draft a law to restrict weapons to the state.

Toplines

Russia has continued to provide direct military support to Iran through weapons and weapons components transfers. NBC News reported on August 18 that Russia has transferred drone components, ammunition, and TNT explosives to Iran via the Caspian Sea as of July 2026, citing a European government document that NBC obtained and that an unspecified Western official verified.[1] NBC added that Iran uses TNT in its ballistic missile warheads and drones, citing Iran's Ministry of Defense and Armed Forces Logistics.[2] The document and the official reported that over two dozen Russian ships have carried deliveries to Amirabad Port in Iran's Mazandaran Province via the Caspian Sea.[3] Iran and Russia have historically used the Caspian Sea to trade military and non-military goods.[4] Israel struck sites in Bandar Anzali, including facilities to disrupt Russian shipments of military equipment to Iran, earlier in the war.[5] Ukraine more recently struck several sanctioned cargo vessels in the Caspian Sea on July 25 that Russia reportedly used to transport military cargo between Russia and Iran.[6]

This evidence of Russia's drone component transfers to Iran is indicative of the active military support that Russia has provided Iran and its drone program in recent months. Iran has reportedly used "Russian-enhanced versions" of Shahed drones and Russian targeting intelligence to attack US forces and assets during the war, according to US intelligence officials.[7] Russia has also directly assisted with Iran's attacks on US forces and bases during the war by providing Iran with "advanced drone tactics." [8] The *New York Times (NYT)* reported on August 11 that Iran has learned and adopted drone tactics it observed in the Russia-Ukraine War to better evade US air defenses.[9] Regime media highlighted the *NYT* report on August 18.[10]

US and Partner Military Operations

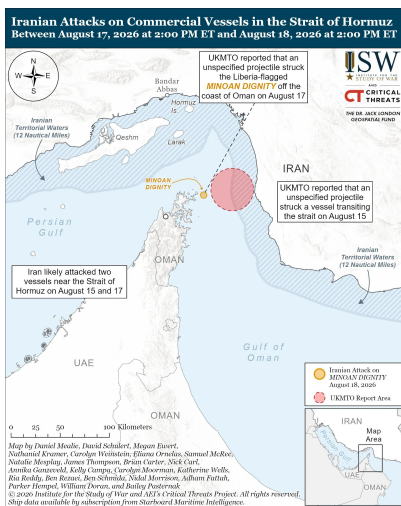
Nothing significant to report.

Iranian Strike Campaign

Assessed Iranian War Aims:

- *Secure international recognition of Iranian control over the Strait of Hormuz*
- *Degrade the US ability and willingness to continue the war*
- *Restore deterrence vis-à-vis the United States and its regional partners*
- *Divide the United States and Israel from the Arab states*

The Emirati Defense Ministry stated that Iran launched two ballistic missiles at the United Arab Emirates (UAE) on August 18.[11] The Emirati Defense Ministry added that its air defenses detected one ballistic missile that fell outside Emirati territorial waters and another that landed within them.[12] Iranian regime media denied responsibility for the attack.[13] It is unclear at the time of writing whether Iran intended to attack a target within Emirati territory or a target in Emirati territorial waters, such as a vessel. Iran has attacked Abu Dhabi National Oil Company tankers near the Emirati coast in recent days.[14] Iran has typically fired cruise missiles and drones to target vessels, however. Iran may have also attempted to attack the UAE to deter the UAE from assisting with US efforts to secure freedom of navigation in the strait, as it has previously.[15]



Iran likely attacked two vessels in the Strait of Hormuz as part of its effort to consolidate its control over the waterway. United Kingdom Maritime Trade Operations (UKMTO) reported on August 18 that an unspecified actor fired an unspecified projectile that struck a vessel that was transiting the strait through Omani territorial waters.[16] UKMTO separately reported on August 17 that an unspecified actor struck the Liberian-flagged *Minoan Dignity* with an unspecified projectile on August 15 as the vessel transited the strait through Omani waters. The attack killed one crew member.[17] Iran has repeatedly struck vessels using Omani waters in order to coerce vessels and shipping companies to transit the strait through Iranian territorial waters.[18] It is unclear at this time whether the Iranian attacks on commercial vessels are related to the Emirati Defense Ministry’s announcement about Iranian ballistic missile launches.

US-Iran Negotiations

Nothing significant to report.

Iranian Domestic Affairs

Nothing significant to report.

Lebanon

Nothing significant to report.

Iraq

The Islamic Resistance in Iraq’s recently released list of preconditions for discussing militia disarmament with the Iraqi federal government indicates that Islamic Resistance in Iraq militias have no intention of disarming.[19] The preconditions include a complete and “genuine” US withdrawal from Iraqi territory and assurances that the United States does not return to Iraq, the “liberation” of Iraqi political and economic decision-making from US “hegemony,” the withdrawal of Turkish forces from northern Iraq, and disbanding the Iraqi Kurdish Peshmerga due to their US-Israeli alignment.[20] The Islamic Resistance of Iraq includes Kataib Hezbollah, Harakat Hezbollah al Nujaba,

and Kataib Sayyid al Shuhada, all of which are among the closest Iraqi militias to Iran and have been the most kinetically active in recent months.[21] These militias have continuously refused to disarm and likely recognize that the Iraqi federal government will not be able to implement all of their demands, which suggests that the militias made these demands without any intention to disarm.[22]

The Islamic Resistance in Iraq also condemned Iraqi Prime Minister Ali al Zaydi's "provocative and irresponsible" actions, in reference to recent Iraqi federal government attempts to crack down on the militias.[23] Iraqi authorities have closed 71 "fake" headquarters of the Iranian-backed Popular Mobilization Forces (PMF) and raided a likely Harakat Hezbollah al Nujaba base in recent weeks, for example.[24] The PMF is an Iraqi state security service that includes multiple Iraqi militias that answer to Iran instead of the Iraqi prime minister.[25] The Iraqi Counter Terrorism Service also arrested a Harakat Hezbollah al Nujaba reconnaissance unit leader in Dhi Qar Province on August 17.[26] An open-source intelligence (OSINT) analyst reported on August 17 that Iraqi authorities handed the militia leader over to PMF authorities following threats from the militias.[27] Previous Iraqi administrations, particularly under former Prime Minister Mustafa al Kadhim, have conducted limited crackdowns on militia activity, but Iran's infiltration of Iraqi government institutions and the relative strength of the Iraqi militias have limited the scale of such efforts. Kadhim tried multiple times to arrest militia members but would later release them due to militia pressure, for example.[28]

A member of Iranian-backed Iraqi militia Asaib Ahl al Haq's political wing, Sadiqoun, falsely claimed on August 18 that Iraqi militias' current capabilities are limited to "simple weapons."[29] Iranian-backed Iraqi militias have conducted numerous missile and drone attacks against US and partner forces in Iraq and the region throughout the war.[30] The Sadiqoun member's comments follow reports of Iraqi militias circumventing the federal government's disarmament efforts, including by handing over inoperable weapons.[31]

Members of the Iraqi federal government's Jurf al Sakhr Committee reportedly conducted a field visit to several villages in the area to review security conditions and interview local farmers.[32] An informed source told Iraqi media on August 18 that the committee includes representatives from the PMF in addition to other governmental ministries and security institutions.[33] Farmers living in the al Saidan, al Jir, and al Uwaysat villages demanded the renewal of temporary agricultural land contracts and the return of displaced families, according to Iraqi media.[34] The source noted that the committee will complete its investigation into Jurf al Sakhr and submit a report to Zaydi within 10 days.[35] Kataib Hezbollah and other Iraqi militias liberated Jurf al Sakhr from the Islamic State in Iraq and al Sham (ISIS) control in late 2014 and displaced the area's predominantly Sunni residents.[36] The militias continue to exercise control over Jurf al Sakhr and do not permit civilians or government officials to enter the area.[37] The committee's visit follows reports that Zaydi may be planning an operation to encircle and enter Jurf al Sakhr if the militias do not comply with the Iraqi government's September 30 disarmament deadline.[38]

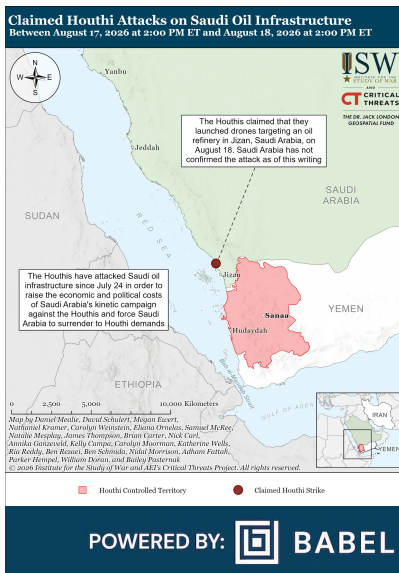
Members of the Iraqi Parliament's Security and Defense Committee reportedly failed to reach a consensus on Zaydi's request for the committee to draft a law to restrict weapons to the state.[39] Zaydi met with the committee on August 17.[40] Zaydi has mentioned presenting such a law to parliament in recent days.[41] Iraqi media reported on August 17 that disagreement among committee members prevented the committee from reaching a consensus on the disarmament law, but that the federal government would draft the law and submit it to Parliament for discussion and approval.[42] A member of the Sunni Azm Alliance heads the committee, which also includes parliamentarians from various parties, such as Asaib Ahl al Haq's Sadiqoun political wing.[43] Iraqi media also reported that unspecified parliamentarians who are not affiliated with Iranian-backed Iraqi militias held separate meetings to discuss the law.[44] The parliamentarians reportedly discussed which

weapons would be referenced in the law, possible mechanisms to address weapons depots, the possible integration of disarmed groups into other security institutions, and security guarantees that the government can provide militias to convince them to hand over their weapons.[45] It remains unclear how Zaydi's draft law differs in intent or practice from existing Iraqi laws that forbid armed groups from operating in Iraq.

A Patriotic Union of Kurdistan (PUK) parliamentarian and member of Parliament's Security and Defense Committee told Iraqi Kurdish media on August 18 that the Iraqi federal government is expected to submit the PMF draft law to Parliament within the next two weeks.[46] It is unclear if the parliamentarian is referring to the PMF Retirement and Service Law or the Popular Mobilization Authority Law. The PUK parliamentarian said that the Iraqi federal government is sending the draft law to Parliament to address demands from some armed groups within the PMF.[47] Zaydi separately directed the head of Parliament's Security and Defense Committee on August 12 to complete its review of the PMF draft law for presentation to Parliament, according to Iraqi media.[48] The "PMF draft law" may refer to two recent draft laws that address the PMF but were recently withdrawn from Parliament for various reasons. Former Prime Minister Mohammad Shia al Sudani withdrew the PMF Retirement and Service draft law from Parliament in March 2025.[49] The draft law would have reportedly required around 3,500 PMF leaders, including Popular Mobilization Committee Chairman Faleh al Fayyadh, to retire due to their age.[50] Sudani also withdrew the Popular Mobilization Authority draft law from Parliament in August 2025, reportedly due to US pressure.[51] The Popular Mobilization Authority draft law would have likely increased Iran's influence in the Iraqi political and security spheres by formalizing key structures of the PMF.[52] It is unclear if parliamentary committees have revised either of these draft laws. Parliamentary committees must review and approve draft laws before Parliament as a whole can discuss and vote on the laws.[53] Both laws may be undergoing the legislative process given that Zaydi and the PUK parliamentarian appear to be referencing distinct draft laws. Zaydi's order for the parliamentary committee to complete its review of a PMF draft law implies that the federal government already re-submitted the draft law. The PUK parliamentarian remarked nearly a week after Zaydi's order that the federal government is soon expected to submit a PMF draft law to parliament, however.[54]

Arabian Peninsula

The Houthis claimed that they launched drones targeting an oil refinery in Jizan, Saudi Arabia, on August 18.[55] A Houthi military source told Houthi media on August 18 that the Houthis attacked the Saudi Aramco oil refinery in Jizan in retaliation for Saudi military overflights in Houthi-controlled parts of Saada and Hajjah governorates, northwestern Yemen.[56] The Houthis have claimed four attacks on the Jizan refinery since the Houthis began targeting Saudi oil infrastructure on July 24.[57] Saudi Arabia has not confirmed the attack at the time of writing.[58] ISW-CTP continues to assess that the Houthis are attacking Saudi oil infrastructure primarily to raise Saudi political and economic costs to an untenable level and compel Saudi leaders to terminate military operations against the Houthis in Yemen.[59] The Houthi Council of Ministers reiterated on August 17 the Houthis' demands that Saudi Arabia cease all military operations in Yemen, lift its blockade on Houthi-controlled ports and airports, pay Houthi officials' salaries, and pay the Houthis war reparations for Saudi and Republic of Yemen Government (ROYG)-aligned military operations in Yemen.[60] The Houthis seek to force Saudi Arabia to surrender and accept these demands by attacking Saudi oil infrastructure, Saudi vessels transiting the Bab al Mandeb Strait and Red Sea, and other Saudi assets.[61]



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Iran Update, August 19, 2026



Ria Reddy, Carolyn Moorman, William Doran, Adham Fattah, Katherine Wells, Brian Carter

Analyst Notes: Data Cutoff: 2:00 PM ET

The Institute for the Study of War (ISW) and The Critical Threats Project (CTP) at the American Enterprise Institute are publishing daily updates to provide analysis on the war with Iran. The updates cover events from the past 24-hour period.

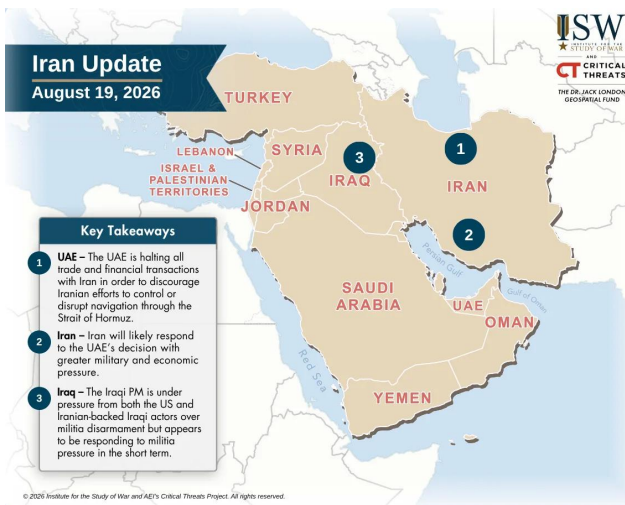
Note: ISW-CTP will pause publishing weekend updates starting on August 15, 2026. ISW-CTP may publish special updates on Saturdays and Sundays if events warrant, however.

Key Takeaways

1. The United Arab Emirates (UAE) is intensifying economic pressure on Iran to discourage Iranian efforts to control or disrupt navigation through the Strait of Hormuz. The UAE announced on August 18 that it would halt all trade and financial transactions with Iran. The announcement comes after the UAE accused Iran of launching missiles from Iranian territory toward the UAE on August 18.
2. The UAE has previously supported US efforts to undermine Iranian control of the strait, which suggests that the UAE's decision is part of a broader effort to raise the costs of Iran's attempts to control or disrupt maritime traffic.
3. The UAE's decision will further weaken Iran's already deteriorating economy by restricting both its access to essential imports and its ability to repatriate export revenues and circumvent sanctions. Roughly one-third of Iran's imports have come from the UAE, and the largest proportion of Iranian imports in the last five years come from the UAE have made the UAE.
4. Iran will likely respond to the UAE's decision with greater military and economic pressure against the UAE rather than abandon its efforts to secure greater control over the Strait of Hormuz. ISW-CTP previously also assessed that Islamic Revolutionary Guards Corps Commander Major Ahmad Vahidi's faction — whom ISW-CTP continues to assess is driving regime decision-making — may be willing to accept some economic costs and the risk of renewed war if doing so enables them to achieve their core objectives, including Iranian control over the strait.
5. Increasing Emirati alignment with the United States will also drive longer-term hostility between the UAE and Iran. It is not clear the extent to which the Iranian regime decisionmakers have internalized the ramifications of long-term hostility with the UAE, given the economic relationship between the two states.
6. Iraqi Prime Minister Ali al Zaydi is under pressure from both the United States and Iranian-backed Iraqi actors over Iraqi militia disarmament but appears to be responding primarily to militia pressure at this time. Zaydi reportedly planned to increase security measures and deploy a special

Iraqi Counter Terrorism unit near Jurf al Sakhar, south of Baghdad, to monitor the movement of people and vehicles, and would not lead to a raid or a military incursion into the militia's key site.

7. Iran has also dispatched senior Iranian officials, including Parliament Speaker Mohammad Bagher Ghalibaf, to Baghdad in recent days to discourage conflict between the Iraqi federal government and the militias. These officials are also discouraging disarmament.



Toplines

The United Arab Emirates (UAE) is intensifying economic pressure on Iran to discourage Iranian efforts to control or disrupt navigation through the Strait of Hormuz. The UAE announced on August 18 that it would halt all trade and financial transactions with Iran.[1] The announcement comes after the UAE accused Iran of launching missiles from Iranian territory toward the UAE on August 18.[2] The UAE later said the missiles unsuccessfully targeted vessels to disrupt "maritime navigation."^[3] Iranian Foreign Affairs Ministry spokesperson Esmail Baghaei denied that Iran launched these attacks.[4] Iran has recently attacked tankers near the Emirati coast.[5]

The UAE has previously supported US efforts to undermine Iranian control of the strait, which suggests that the UAE's decision is part of a broader effort to raise the costs of Iran's attempts to control or disrupt maritime traffic.[6] The timing of the UAE's decision also suggests that the UAE may seek to influence ongoing Iran-Oman negotiations over the future management of the strait. The Associated Press reported on August 18, citing two regional officials, that the Trump administration told Oman that it opposes elements of the yet-to-be-announced Iran-Oman agreement, including joint Iranian-Omani management of the strait's exit route.[7] An Iranian analyst close to the regime separately stated on August 18 that the UAE is playing a significant role in increasing US pressure on Oman over the agreement.[8] The UAE's decision may, therefore, also seek to prevent any Iran-Oman arrangement that grants Iran any control over navigation through the strait.

The UAE's decision will further weaken Iran's already deteriorating economy by restricting both its access to essential imports and its ability to repatriate export revenues and circumvent sanctions. Roughly one-third of Iran's imports have come from the UAE, and the largest proportion of Iranian imports in the last five years come from the UAE have made the UAE.[9] The UAE also serves as a critical hub for Iran's shadow-banking and sanctions-evasion networks through which Iran generates significant revenue.[10] Approximately 80 percent of Iran's imported foreign exchange reportedly comes through the UAE.[11] Cutting this channel will exacerbate Iran's pre-existing foreign-currency shortages and make it more difficult for the regime to finance both imports and exports.[12] An Iranian sanctions-focused analyst assessed on August 19 that the impact will be

particularly significant amid the ongoing US naval blockade on Iran because trade between Iran and the UAE occurs beyond the US naval blockade line in the Persian Gulf, and thus, the UAE likely provided Iran with an important channel for obtaining goods despite the blockade.[13] The UAE's decision will compound the economic pressure that the blockade has already imposed on Iran.

Iran will likely respond to the UAE's decision with greater military and economic pressure against the UAE rather than abandon its efforts to secure greater control over the Strait of Hormuz. Iran will likely view the UAE's actions as both an immediate economic threat and a broader challenge to its core objectives, which include controlling the strait. Iran could seek to impose costs on UAE shipping or territorial security to demonstrate the consequences of opposing Iranian efforts to control or disrupt navigation through the strait. Such actions would be consistent with Iran's repeated use of force against Gulf states to compel them to accept Iranian demands since the start of the US-Iran war in February 2026. ISW-CTP previously also assessed that Islamic Revolutionary Guards Corps Commander Major Ahmad Vahidi's faction — whom ISW-CTP continues to assess is driving regime decision-making — may be willing to accept some economic costs and the risk of renewed war if doing so enables them to achieve their core objectives, including Iranian control over the strait.[14] Increasing Emirati alignment with the United States will also drive longer-term hostility between the UAE and Iran. It is not clear the extent to which the Iranian regime decisionmakers have internalized the ramifications of long-term hostility with the UAE, given the economic relationship between the two states.

The resulting economic pressure on Iran from the UAE's decision will nevertheless likely increase regime concerns about domestic unrest, but it is unclear whether those concerns will compel Vahidi's faction to make meaningful concessions. The UAE supplies almost 37 percent of Iran's essential goods imports (which are not prohibited under the US blockade and sanctions), which makes the loss of access to trade with the UAE particularly significant to the domestic Iranian population.[15] The Emirati decision to impose economic penalties on Iran comes after Iranian officials and media have expressed growing concern in recent weeks about deteriorating economic conditions and the potential for domestic unrest.[16] The regime already appears to be pursuing multiple measures to mitigate these risks rather than reconsider its core demands, however. Iran has taken initial steps to increase access to foreign currency and strengthen alternative economic relationships, including with Tajikistan, although the effectiveness of these efforts remains unclear.[17] The regime is also simultaneously preparing for potential unrest, which is consistent with its longstanding approach to suppressing dissent rather than addressing the underlying economic grievances that drive the unrest.[18]

Iraqi Prime Minister Ali al Zaydi is under pressure from both the United States and Iranian-backed Iraqi actors over Iraqi militia disarmament but appears to be responding primarily to militia pressure at this time. Qatari-owned regional media reported on August 19 that Zaydi's plan to increase security measures and deploy a special Iraqi Counter Terrorism unit near Jurf al Sakhar, south of Baghdad, was only to monitor the movement of people and vehicles and would not lead to a raid or a military incursion into the militia's key site.[19] This is a reversal from previous reporting, which claimed that Zaydi was preparing for Iraqi security forces to retake Jurf al Sakhar.[20] Kataib Hezbollah has refused to allow the Iraqi government to exercise sovereignty over Jurf al Sakhar for over a decade and has used the area to store weapons and launch attacks against US and foreign targets in Iraq and the region, including in March and April.[21] Conducting an operation to retake the area would require significant planning, mobilization, and coordination among Iraqi security forces. It would also be a notable move in favor of US pressure on the Iraqi federal government to disarm the militias. Zaydi's hesitation to follow through on this operation demonstrates how much influence Iranian-backed Iraqi actors retain over Zaydi's government.

The recently reported plan to only “monitor” Jurf al Sakhr indicates that Iranian-backed actors, including the militias and leaders within the ruling Shia Coordination Framework, have coerced Zaydi into responding to their directives rather than complying with US pressure to rein in the militias. Zaydi initiated the government’s disarmament campaign and set September 30 as the deadline for the campaign’s completion. Zaydi initiated the campaign and set this deadline in part due to US pressure on Baghdad, which included offers of additional US funding and investment in Iraq if Zaydi is successful.[22] Multiple Iranian-backed Iraqi militias, including those that are closest to Iran and that have been the most kinetically active in recent months, continue to refuse to disarm and resist government efforts to rein them in.[23] The Iraqi militias are also circumventing and delaying the government’s disarmament efforts, including by handing in inoperable or small amounts of weapons.[24] Many Iranian-backed actors pressured the Iraqi government into surrendering a Harakat Hezbollah al Nujaba leader over to the Popular Mobilization Forces (PMF)—which contains a number of Iranian-backed militias—after Iraqi authorities arrested the leader earlier in August.[25] The Supreme Judicial Council then dropped his charges.[26][27] Pressure from Iranian-backed actors similarly thwarted former Prime Minister Mustafa al Kadhimi’s attempts to crack down on the militias.[28]

Members of the framework are reportedly concerned about the government’s recent attempts to crack down on the militias and the potential for armed confrontation between the militias and the government. Some framework members are even attempting to negotiate settlements between the federal government and the militias that have included “weapons management” proposals and delaying government demands to disarm until after US forces leave Iraq.[29] Zaydi’s September 30 deadline currently corresponds with the planned withdrawal of US-led international coalition forces from Iraq.[30]

Iran has also dispatched senior Iranian officials to Baghdad in recent days to discourage conflict between the Iraqi federal government and the militias. These officials are also discouraging disarmament. Iraqi sources told Saudi media on August 19 that Iranian Parliament Speaker Mohammad Bagher Ghalibaf relayed Iranian proposals to unspecified Iraqi officials that aimed to avoid a confrontation between the federal government and the militias.[31] Iran also reportedly proposed “freezing” or hiding heavy weapons and transferring weapons to Iran until the militias reach a political settlement.[32] Zaydi’s supposed previous plan to send Iraqi security forces to Jurf al Sakhr reportedly prompted IRGC Quds Force Commander Brigadier General Esmail Ghaani’s recent visit to Baghdad on August 10, during which he urged militia leaders to avoid armed confrontation with the government and to reach a settlement to avoid handing militia weapons to the state.[33]

US and Partner Military Operations

Nothing significant to report.

Iranian Strike Campaign

Assessed Iranian War Aims:

- *Secure international recognition of Iranian control over the Strait of Hormuz*
- *Degrade the US ability and willingness to continue the war*
- *Restore deterrence vis-à-vis the United States and its regional partners*
- *Divide the United States and Israel from the Arab states*

See topline section.

US-Iran Negotiations

Nothing significant to report.

Iranian Domestic Affairs

Iranian Judiciary Chief Gholam Hossein Mohseni Ejei made several new appointments within the judiciary on August 19 amid renewed concern in the regime over domestic unrest.[34] It is unclear why the regime has decided to reshuffle and promote these officials. The judiciary's official media outlet reported that Ejei made at least 23 judiciary appointments to the Supreme Judicial Council and across several provincial judiciaries on August 19.[35] The appointments included new heads of various divisions within the Supreme Judicial Council, such as chief justice, deputy judiciary chief, prisons organization head, and social affairs and crime prevention minister.[36]

The regime, including nonjudicial bodies, may be engaged in this judiciary reshuffle to prepare to prosecute anti-regime elements. Ejei stated on August 17 that Iranian officials must remain vigilant against foreign infiltration and attempts to undermine national unity. Ejei separately stated on August 17 that he "personally received recommendations" for judiciary appointments from IRGC and Intelligence Ministry officials.[37] It is unclear if Ejei had recommended these appointees and then the IRGC and/or Intelligence Ministry officials approved these appointees or vice versa, but it is nevertheless notable for extra-judicial bodies to make recommendations for judiciary appointments.

It also remains unclear if Supreme Leader Mojtaba Khamenei was involved in deciding these appointments. Ejei's August 17 statement and August 19 appointments come after Mojtaba appointed former IRGC Intelligence Organization Head Hossein Taeb as Basij commander on August 10 and tasked Taeb to use the Basij to increase surveillance of Iran's population.[38] ISW-CTP assessed that Taeb's appointment may, in part, reflect the regime's anticipation of potential unrest amid mounting economic pressure due to Taeb's previous roles in brutal protest suppression.[39]

Lebanon

Nothing significant to report.

Iraq

Iranian Parliament Speaker Mohammad Bagher Ghalibaf probably continued Iranian efforts to cement Iraqi economic dependence on Iran during meetings with senior Iraqi officials in Baghdad on August 19. Iraqi and Iranian media reported that Ghalibaf arrived in Baghdad on August 19 and has meetings with various Iraqi officials and political blocs, including Zaydi and the Shia Coordination Framework, until August 21.[40] Ghalibaf said that Iran is "one" with Iranian-backed Iraqi militias during a joint press conference with Iraqi First Deputy Parliament Speaker Adnan Faihan, who is a member of Asaib Ahl al Haq's political bloc.[41] Ghalibaf also said during the conference that his visit to Iraq accompanies Iranian efforts to create a "new regional order" in the Middle East without "foreign interference," referring to the United States.[42]

Iraqi Parliament Speaker Haibat al Halbousi requested that Iran grant Iraq a "special status" under which

Iraq could export oil through the Strait of Hormuz during a meeting with Ghalibaf on August 19.[43] Iraqi media previously reported that IRGC Quds Force Commander Brigadier General Esmail Ghaani discussed prospects of Iranian permission for Iraqi oil tankers to transit the Strait with militia and framework leaders in Baghdad on August 10.[44] Iranian Central Bank Governor Abdolnasser Hemmati also visited Baghdad on August 16 and 17 to discuss an agreement that would facilitate “commercial and financial transactions” between Iraq’s and Iran’s central banks, which Iran could use to receive Iraqi payments for safe passage through the strait.[45] These discussions come amid Iraqi consultations with the United States and other regional governments to develop pipelines and overland oil export corridors from Iraq to the Mediterranean and Red Sea that would bypass the strait.[46] Such infrastructure projects challenge Iran’s long-term leverage over the global economy by offering regional oil producers alternatives to exporting fuel through the strait, which would reduce the waterway’s importance to global commerce if completed. ISW-CTP continues to assess that Iran seeks to draw Iraq away from pursuing alternative oil export routes and maintain Iran’s long-term leverage by discussing the possibility of a deal to export Iraqi oil through the strait.[47] Any Iranian offer to provide safe passage for Iraqi tankers would also legitimize Iran’s illegal efforts to codify its domination of the strait by requiring Iraq to recognize Iranian control over the waterway.

Ghalibaf also discussed other economic initiatives with Iraqi officials on August 19, including reviving cross-border railways and developing Iraqi-Iranian “border markets,” in a meeting with Iraqi President Nizar Amedi.[48] These trade initiatives combined intend to cement Iraq’s economic and political dependence on Iran by requiring Iraq to rely on Iranian terms to export Iraqi oil, which accounts for up to 90 percent of Iraqi government revenues, and expand cross-border economic activity.[49]

Ghalibaf also likely discussed Iranian Kurdish opposition activity in Iraq, which the Iranian regime continues to be concerned about, during his meetings with senior Iraqi officials in Baghdad on August 19. Iranian state media reported on August 19 that Ghalibaf will discuss border security and counterterrorism issues with Iraqi leaders during his visit to Iraq.[50] Iranian leaders consider Iranian Kurdish opposition groups in Iraqi Kurdistan a counterterrorism concern and a threat to the regime in Tehran.[51] Iran has repeatedly demanded that the Iraqi government dismantle Iranian Kurdish opposition militia bases in Iraqi Kurdistan and remove the militias from the vicinity of the Iran-Iraq border since 2021.[52] Iranian forces have also frequently attacked anti-regime Kurdish militias in Iraqi Kurdistan during the Spring 2026 War.[53] The Iraqi Kurdistan Regional Government (KRG) more recently accused Iran of conducting a drone attack on KRG Prime Minister Masrour Barzani’s office and the KRG’s intelligence chief’s residence in Erbil on August 17.[54] Iranian officials subsequently denied Iran’s involvement.[55]

An Iraqi militia with a political wing, probably referring to either Asaib Ahl al Haq or Kataib al Imam Ali, handed over 20 Iranian-made fixed-wing drones to the Iraqi government on August 19, according to a senior Iraqi official speaking to UK-based Saudi media.[56] Asaib Ahl al Haq and Kataib al Imam Ali both have political wings and announced their willingness to disarm on July 2, differing from more militias more closely aligned with Iran that have refused to disarm thus far.[57] The Iraqi official said that unspecified US officials attended the handover and that the Iraqi federal government is specifically focused on collecting drones and “cross-border” missiles from the militias, instead of conventional weapons like artillery or small arms.[58] Militias have predominantly used drones and rockets to attack US positions in Iraq and reportedly Gulf states since the start of the war.[59] An unspecified militia leader told Saudi media that the militia that handed over weapons to the Iraqi federal government on August 19 gave drones that could target Israel.[60] The unspecified militia leader claimed that the Iraqi militias have most of the same weapons that the Iraqi army possesses.[61] It will be difficult for the Iraqi federal government to verify the level of disarmament for the militia cooperating with the government or any other militia due to the covert nature of the Iraqi militias, including those within the

PMF, however.

Arabian Peninsula

Nothing significant to report.

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Iran Update, August 20, 2026



Katherine Wells, Nidal Morrison, Bailey Pasternak, Julia Minassian, Parker Hempel, Kelly Campa, Brian Carter

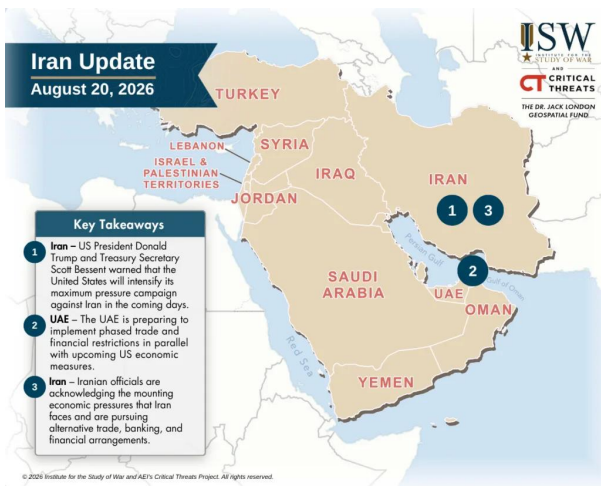
Analyst Notes: Data Cutoff: 2 PM ET

The Institute for the Study of War (ISW) and The Critical Threats Project (CTP) at the American Enterprise Institute are publishing daily updates to provide analysis on the war with Iran. The updates cover events from the past 24-hour period.

Note: ISW-CTP will pause publishing weekend updates starting on August 15, 2026. ISW-CTP may publish special updates on Saturdays and Sundays if events warrant, however.

Key Takeaways

1. US President Donald Trump and Treasury Secretary Scott Bessent warned that the United States will intensify its maximum pressure campaign against Iran in the coming days. Bessent announced on August 20 that the United States will announce further economic measures against Iran and entities with commercial ties to Iran on August 24.
2. The United Arab Emirates (UAE) is preparing to implement phased trade and financial restrictions in parallel with upcoming US economic measures. The UAE reportedly plans to phase its reduction of trade and financial engagement with Iran, adopting initial measures to restrict cargo and trade flows.
3. Iranian officials are acknowledging the mounting economic pressures that Iran faces and are pursuing alternative trade, banking, and financial arrangements designed to reduce the impact of these pressures. Iran is seeking to invest in alternative routes and destinations for its oil exports to alleviate this economic pressure.



Toplines

US President Donald Trump and Treasury Secretary Scott Bessent warned that the United States will intensify the US economic pressure campaign against Iran in the coming days to exploit growing Iranian economic vulnerabilities and deter further Iranian aggression in the war. Trump warned that countries will face “tremendous” economic consequences if their financial institutions, businesses, airports, or government entities provide any type of “lifeline” to Iran on August 19.^[1] Trump reiterated his support for his maximum pressure campaign.^[2] The US maximum pressure campaign, which the Trump administration first employed in 2018 and reinstated in 2025, sought to levy economic sanctions and other coercive economic measures to isolate Iran and change Iranian decisionmakers’ behavior.^[3] Bessent announced on August 20 that the United States will announce additional economic measures against Iran and entities with commercial ties to Iran on August 24.^[4] Bessent added that the United States would pair the existing blockade with the “toughest sanctions in history” to further constrain Iran’s economy, curtail its ability to “project power through its proxies,” reduce its capacity to fund its military forces, and increase economic pressure on Iran through inflation and financial isolation.^[5] Bessent stated that US economic pressure will “collapse [the Iranian] regime.”^[6]

The United Arab Emirates (UAE) is preparing to implement phased trade and financial restrictions in parallel with upcoming US economic measures.^[7] The UAE announced on August 19 that it would cut off all trade and financial transactions with Iran after recent Iranian missile attacks against Emirati maritime targets.^[8] Sources familiar with the matter told the *Wall Street Journal* that the UAE plans to phase its reduction of trade and financial engagement with Iran by adopting initial measures to restrict cargo and trade flows.^[9] The UAE is a major trade partner for Iran, and Emirati imports account for nearly a third of Iranian imports, including basic goods.^[10] The UAE wants to preserve diplomatic channels in case the US economic pressure campaign fails, according to unspecified sources, however.^[11] An unspecified source familiar with the matter warned that the UAE could pursue Iranian-affiliated entities based in the UAE if Iran attacks the UAE again.^[12]

Iranian officials are acknowledging the mounting economic pressures that Iran faces and are pursuing alternative trade, banking, and financial arrangements designed to reduce the impact of these pressures. Iran is not currently exporting any oil, according to Iranian Central Bank Governor Abdol Nasser Hemmati on August 19.^[13] Hemmati admitted that Iran is facing foreign currency reserve shortages, rising youth unemployment, and reconstruction costs.^[14] Hemmati also acknowledged that sanctions will only worsen these conditions.^[15] Iranian Energy Optimization and

Strategic Management Organization Deputy Head Yaser Mirzaei said that Iran's domestic gasoline situation has become a "critical issue" requiring an immediate solution, noting that the lack of access to foreign exchange, logistics, and restrictions on foreign supply routes have limited imports.[16] Additional UAE restrictions will likely worsen Iran's foreign-exchange and trade challenges by limiting Iran's access to a hub for Iran's shadow-banking and sanctions evasion networks.[17] Approximately 80 percent of Iran's imported foreign exchange reportedly comes through the UAE, for example.[18]

Iran is seeking to invest in alternative routes and destinations for its oil exports to alleviate this economic pressure. Iran signed a deal to export oil to Tajikistan on August 15.[19] Hemmati and Iranian Parliament Speaker Mohammad Bagher Ghalibaf met with Iraqi officials and economic experts in Iraq between August 16 and 20.[20] Hemmati announced that the existing banking and financial obstacles between Iran and Iraq will be resolved in the coming weeks. Hemmati also noted that Iraqi Prime Minister Ali al Zaydi agreed to provide guarantees for Iranian contractors backed by Iranian assets in Iraqi banks.[21] Hemmati also stated that he advocated for the creation of financial corridors that create independence from Western-controlled financial systems in recent discussions with BRICS partners, indicating Iran's interest in diversifying its economic partnerships outside of the region.[22]

US and Partner Military Operations

Nothing significant to report.

Iranian Strike Campaign

Assessed Iranian War Aims:

- *Secure international recognition of Iranian control over the Strait of Hormuz*
- *Degrade the US ability and willingness to continue the war*
- *Restore deterrence vis-à-vis the United States and its regional partners*
- *Divide the United States and Israel from the Arab states*

See topline section.

US-Iran Negotiations

See topline section.

Iranian Domestic Affairs

See topline section.

Lebanon

Nothing significant to report.

Iraq

Several regional officials told Al Monitor on August 19 that Saudi Arabia wants the Iraqi federal government to take “punitive action” against the Iranian-backed Iraqi militias that have launched attacks targeting Saudi territory.[23] One regional official stated that Saudi Arabia wants the Iraqi government to arrest and prosecute the Iranian-backed Iraqi militia leaders responsible for ordering attacks on Saudi territory.[24] The Iraqi government has taken limited steps since late July to prevent further Iranian-backed Iraqi militia attacks targeting Saudi Arabia and other regional states in order to avoid possible future rounds of US or Saudi strikes in Iraq.[25] US and Saudi forces struck several Iraqi militia positions on July 28 in response to Iraqi militia attacks on Saudi energy infrastructure and US interests in Iraq and the region.[26]

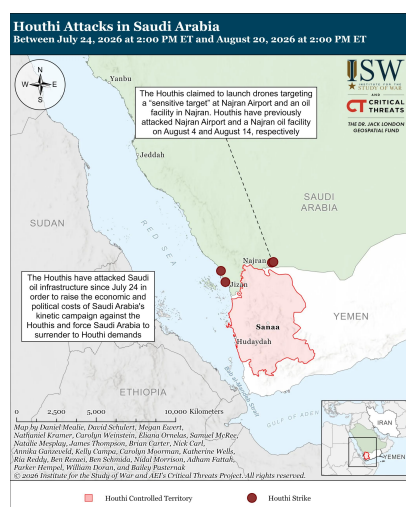
Three informed sources also told Al Monitor that Saudi Arabia decided to refrain from striking Jurf al Sakhr, Babil Province, as part of its July 28 strikes in Iraq after Iraqi Prime Minister Ali al Zaydi asked for “time to deal with the area himself.”[27] Iranian-backed Iraqi militia Kataib Hezbollah has repeatedly refused to allow the Iraqi government to exercise sovereignty over Jurf al Sakhr for over a decade and has used the area to store weapons and launch attacks against US and foreign targets in Iraq and the region, including in March and April.[28] It remains unclear as of this writing how Zaydi intends to “deal” with Jurf al Sakhr, however. Qatari-owned regional media reported on August 19 that Zaydi plans to increase security measures and deploy a special Iraqi Counter Terrorism Service unit near Jurf al Sakhr to “monitor” militia movements, but the report specified that this plan would not lead to raids on militia positions or a military incursion into the area.[29] This plan contradicts previous reporting, which claimed that Zaydi was preparing for Iraqi security forces to encircle Jurf al Sakhr.[30] ISW-CTP noted on August 19 that this reversal suggests that Zaydi is responding to Iranian-backed Iraqi groups’ pressure to limit Zaydi’s disarmament efforts.[31]

Islamic Revolutionary Guards Corps (IRGC) Quds Force Commander Brigadier General Esmail Ghaani warned unspecified Iranian-backed Iraqi militias against conducting additional attacks against Saudi Arabia during his August 10 visit to Baghdad, according to a regional official speaking to Al Monitor on August 19.[32] The source said that Ghaani was concerned about growing Saudi-Turkish ties, which almost certainly refers to Turkey, Saudi Arabia, and Pakistan’s recent signing of a joint defense agreement.[33] Iranian-backed Iraqi militias have previously heeded Ghaani’s calls for restraint.[34] ISW-CTP has not recorded any additional Iraqi militia attacks on Saudi territory since July 28.

Iranian Parliament Speaker Mohammad Bagher Ghalibaf continued to meet with senior Iraqi officials on August 20.[35] Ghalibaf met with Iraqi National Security Advisor Qassem al Aboudi, during which Ghalibaf affirmed support for Iraqi government measures to “regulate” Iraqi militia weapons.[36] Iraqi Supreme Judicial Council President Faiq Zaidan also met with Ghalibaf on August 20 to discuss bilateral judicial and legal cooperation.[37] These meetings come after Ghalibaf reportedly met with unspecified Iraqi officials on August 19 to relay Iran’s proposal for disarming the militias in a way that avoids a confrontation between the Iraqi federal government and the militias.[38] Iran has also reportedly proposed “freezing” or hiding the militias’ heavy weapons or transferring them to Iran until the militias reach a political settlement with the Iraqi government.[39] Iran has recently dispatched several senior officials to Iraq, such as Ghaani, to discourage militia disarmament while avoiding conflict between the Iraqi government and Iran-backed militias operating in Iraq.[40]

Arabian Peninsula

The Houthis claimed to launch drones targeting a “sensitive target” at the Najran Regional Airport and an unspecified oil facility in Najran, Saudi Arabia, on August 20.[41] The Houthis claimed to conduct these strikes in response to Saudi overflights in Houthi-controlled areas of Saada Governorate in northwestern Yemen.[42] Saudi officials have not confirmed either strike at the time of this writing. The Houthis have previously attacked the regional airport and an oil facility in Najran on August 4 and 14, respectively.[43] ISW-CTP continues to assess that the Houthis are attacking Saudi oil infrastructure primarily to raise Saudi political and economic costs to an untenable level and compel Saudi leaders to terminate military operations against the Houthis in Yemen.[44] IRGC spokesperson Brigadier General Hossein Mohebbi warned IRGC-affiliated media on August 20 that the Houthis’ military capabilities are improving and that Saudi Arabia will not be able to defend against future Houthi attacks.[45]



Three unspecified Houthi military sources and Republic of Yemen Government (ROYG) Information Minister Moammad al Eryani told Western media on August 19 that the Houthis are preparing to seize control of the Bab al Mandeb Strait.[46] The Houthi sources stated that 2,000 Houthi fighters recently deployed to “front lines” along Yemen’s western coast in Taiz and Hudaydah governorates.[47] The sources also said that the Houthis aim to set conditions for an assault on the strait through recent Houthi-claimed attacks on ROYG naval assets.[48]

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Iran Update, August 21, 2026



Ben Rezaei, Parker Hempel, Bailey Pasternak, Benjamin Schmida, Brian Carter

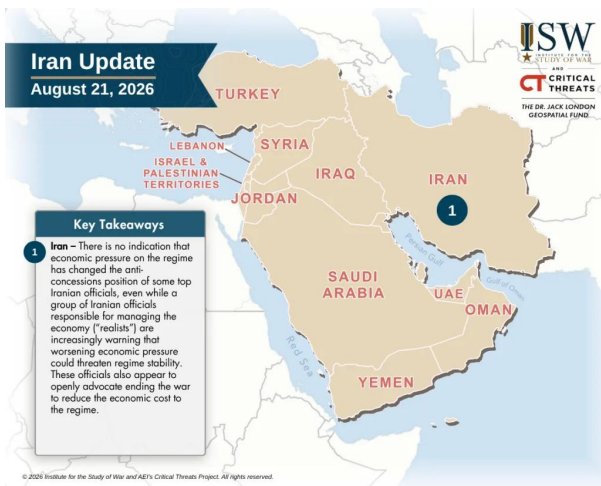
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Key Takeaways

1. There is no indication that economic pressure on the regime has changed the anti-concessions position of some top Iranian officials, even while a group of Iranian officials responsible for managing the economy ("realists") are increasingly warning that worsening economic pressure could threaten regime stability. These officials also appear to openly advocate ending the war to reduce the economic cost to the regime.
2. The failure of the US-Iran memorandum of understanding (MoU) appears to have further weakened the pro-concession, "realist" camp relative to Vahidi and other anti-concession officials.
3. Regime decision-making may therefore take a long time to react, even as the economy gets much worse. Vahidi and other anti-concession officials appear to have a higher tolerance for domestic unrest because they may calculate that the regime can contain and suppress renewed protests without changing course.
4. The People's Republic of China (PRC) is resisting US efforts to economically isolate Iran, but Chinese economic engagement cannot offset the blockade if Iran cannot physically supply its largest oil customer.



Toplines

There is no indication that economic pressure on the regime has changed the anti-concessions position of some top Iranian officials, even while a group of Iranian officials responsible for managing the economy (“realists”) are increasingly warning that worsening economic pressure could threaten regime stability. These officials also appear to openly advocate ending the war to reduce the economic cost to the regime.[1] There appear to be two loose groups of Iranian leaders that have influence at this time. One, the pro-concessions or “realist” camp, is responsible for managing the economy and ostensibly answers to a voting constituency of everyday Iranians. These include Iranian President Masoud Pezeshkian and Parliament Speaker Mohammad Bagher Ghalibaf, among others. A second group, which includes Islamic Revolutionary Guards Corps (IRGC) Commander Major General Ahmad Vahidi, does not favor any concessions in negotiations and seeks full US surrender. This group is relatively stronger and more ideological.

Recent statements by “realist” officials show their view of the situation, which revolves around major concerns over economic hardship. Pezeshkian said on August 21 that the war must end at some point and argued that “it would be better to end it now,” while still adding that Iranians must be prepared to endure the ongoing economic hardship.[2] Ghalibaf similarly warned on August 21 that Iran cannot endure, regardless of its military strength, if its population is hungry and the country lacks financial circulation, economic growth, and domestic production.[3] Central Bank Governor Abdol Nasser Hemmati, another adherent to realist thinking, acknowledged on August 19 that Iranian oil exports had nearly ceased and that Iran faces foreign-exchange shortages, reconstruction costs, and increased youth unemployment.[4] Pezeshkian and Ghalibaf have generally favored negotiations, and their statements do not represent a major change in their positions.[5] Their focus on the war’s economic costs suggests that they seek to convince senior regime officials to end the war before worsening conditions threaten regime stability.

Pezeshkian, Ghalibaf, Hemmati, and other officials responsible for managing the economy appear more likely than Vahidi and other anti-concession officials to view economic deterioration as a reason to change policy. It is notable that these officials also must answer, at least ostensibly, to the electorate, whereas figures like Vahidi do not. Pezeshkian, Ghalibaf, and Hemmati’s ability to change Iran’s policy remains limited, however. ISW-CTP previously assessed that the faction around Vahidi continued to guide negotiation policy, while the more pro-concession group around Pezeshkian, Ghalibaf, and Foreign Affairs Minister Abbas Araghchi had less influence and primarily disagreed with Vahidi’s faction over how to achieve shared regime objectives.[6]

The failure of the US-Iran memorandum of understanding (MoU) appears to have further weakened the pro-concession, “realist” camp relative to Vahidi and other anti-concession officials. Pezeshkian had one notable success when he convinced Supreme Leader Mojtaba Khamenei to approve the MoU in June, in part by emphasizing the economic consequences of the blockade.[7] Iranian officials appear to believe that the MoU collapsed due to US subversion, not because of IRGC interference, and have repeatedly accused the United States of violating agreements and acting in bad faith.[8] This failure weakened the pro-concession argument that compromise with the United States would produce economic relief and strengthened the argument that the United States cannot be trusted, which the anti-concession camp can use to justify continued coercion rather than another agreement.[9] IRGC-affiliated Fars News reinforced this argument on August 21, criticizing Pezeshkian’s call to end the war and arguing that conciliatory positions signal weakness, encourage further attacks, and repeat the same mistake Iran allegedly made by showing flexibility before the two most recent wars.[10] The result of this dynamic is that the hardline, anti-concessions camp can use the perceived US “dishonesty” to argue that the “realist,” pro-concessions camp is being unrealistic in engaging with the United States. This enables the ascendant hardliners to continue to use force to enforce their preferred arrangement in the strait and to maintain maximalist demands rather than make concessions.[11]

Vahidi’s faction therefore remains in a stronger position to argue that continued pressure on the United States, rather than Iranian concessions, can secure the regime’s objectives. ISW-CTP assessed on August 17 that Vahidi’s group would likely accept an agreement that meets Iran’s demands (and complete US surrender) but would risk continued conflict rather than accept one that falls short of Iran’s maximalist demands.[12] The “realist,” pro-concession group favors an arrangement similar to the original MoU to end the war and secure economic relief, while Vahidi and his allies seek broader aims, including continued Iranian control of the strait. The anti-concession faction also demanded that the United States lift the naval blockade and sanctions, withdraw US military forces from around Iran, pay war reparations, release frozen Iranian assets, and cease attacks on Iran’s regional proxies.[13]

Regime decision making may therefore take a long time to react to economic deterioration, even as the economy gets much worse. Vahidi and other anti-concession officials appear to have a higher tolerance for domestic unrest because they may calculate that the regime can contain and suppress renewed protests without changing course. ISW-CTP continues to assess that Vahidi’s faction may tolerate substantial economic costs and potential unrest if doing so enables Iran to achieve its core objectives and may instead respond to instability by securitizing society and seeking alternative economic channels.[14] This greater tolerance for economic pain and unrest helps explain the anti-concession camp’s preference for sustained pressure over compromise. Second Deputy Parliament Speaker Hamidreza Haji argued on August 20 that rising oil prices means “we are [the regime] winning,” adding that negotiations should not simply seek to end the war, and called on Gulf states to pressure the United States to accept Iran’s conditions.[15] Ultra-hardliner Paydari (Stability) Front-affiliated Parliamentarian Mahmoud Nabavian similarly stated on August 21 that calls for peace under current conditions amount to “surrender.”[16] The Paydari Front is fully anti-negotiations, not just concessions. The pro-concessions faction appears to view worsening economic conditions as a reason to compromise before deteriorating economic conditions threaten regime stability, while the hardline anti-concessions and anti-negotiations factions appear willing to tolerate greater economic and domestic instability. Economic pressure could therefore become severe enough to threaten regime stability before the officials who currently dominate decision making conclude that Iran must make meaningful concessions.

The People’s Republic of China (PRC) is resisting US efforts to economically isolate Iran, but Chinese economic engagement cannot offset the blockade if Iran cannot physically supply its largest oil customer. The PRC rejected sanctions and pressure on August 20 as a solution and reiterated its opposition to unilateral sanctions after the United States called on Beijing to cooperate with

its economic pressure campaign.[17] The PRC bought more than 80 percent of Iran's exported oil before the recent war. Chinese refiners still appear willing to purchase Iranian crude, but Reuters reported on August 21 that the amount of Iranian oil available for September and October delivery has fallen sharply as cargoes already outside the blockade are sold and Iran struggles to replace them.[18] Some Chinese refiners are consequently turning to Brazilian and Iraqi crude.[19] Iranian decision makers will likely monitor whether the PRC and other trading partners resist US pressure, but foreign demand will provide diminishing relief if the blockade continues to restrict Iranian exports.

US and Partner Military Operations

Nothing significant to report.

Iranian Strike Campaign

Assessed Iranian War Aims:

- *Secure international recognition of Iranian control over the Strait of Hormuz*
- *Degrade the US ability and willingness to continue the war*
- *Restore deterrence vis-à-vis the United States and its regional partners*
- *Divide the United States and Israel from the Arab states*

Nothing significant to report.

US-Iran Negotiations

See topline section.

Iranian Domestic Affairs

See topline section.

Lebanon

The US Treasury re-designated Hezbollah as an IRGC Quds Force-affiliated group on August 20.[20] The US Treasury also sanctioned ten Hezbollah-affiliated individuals involved in an international money-laundering operation for the group to avoid US sanctions and obtain foreign currency on August 20.[21] A US official told Reuters on August 20 that the redesignation is intended to demonstrate that Hezbollah is operating on Iran and the IRGC Quds Force's "behalf." [22] US Senior Advisor for Arab and African Affairs Massad Boulos stated that the redesignation also demonstrated US resolve to counter "terror financing networks".[23] The US Treasury re-designation comes amid repeated reports in recent months that the IRGC has reorganized Hezbollah since 2024 to incorporate a decentralized command and control structure and fill command positions within the group's units.[24] The Israel Defense Forces has killed multiple IRGC Quds Force officers advising Hezbollah in various roles throughout the current Israeli campaign in Lebanon since March 2.[25]

The Lebanese government is continuing to balance the need to disarm Hezbollah with the latent threat that Hezbollah poses. Lebanese Deputy Prime Minister Tarek Mirti told Emirati media on August 21 that the Lebanese government will not “back down” from implementing the Trilateral Framework Agreement, which includes disarming Hezbollah.[26] Mirti stated that the Lebanese government does not want to undertake any decisions that would require using force against Hezbollah, which could “endanger national unity.”[27] Senior Lebanese officials, including Lebanese President Joseph Aoun and Prime Minister Nawaf Salam, have repeatedly emphasized the need to maintain Lebanese stability and avoid violence with Hezbollah.[28] Aoun told Lebanese media about the necessity of “cooperating with Hezbollah” to disarm the group on July 10, for example.[29] Aoun and Mitri’s caution is understandable, given the risks to Lebanese stability implicit in any violent flare-ups between the government and Hezbollah. Any disarmament efforts that rely on cooperating with Hezbollah will almost certainly fail, however, because Hezbollah will not disarm of its own volition.[30]

Iraq

Iranian-backed Iraqi militia Asaib Ahl al Haq is likely attempting to superficially comply with the Iraqi federal government’s disarmament initiative by handing over unarmed drones and other unspecified weapons. A source familiar with Iraqi militias claimed on August 21 that Asaib Ahl al Haq handed fewer than 10 unarmed drones and other unspecified weapons to the Iraqi disarmament committee on August 19.[31] The source stated that Asaib Ahl al Haq had stored these weapons in one of its headquarters in Yusufiyah District, Baghdad Province.[32] The report is consistent with Shia Coordination Framework officials’ July 9 claim that militias handed over “scrap” missiles and inoperable drones while retaining functional heavy weapons.[33] The unarmed drones and unspecified weapons that Asaib Ahl al Haq reportedly handed over to the committee almost certainly constitute a fraction of the militia’s total arsenal, however. The source added that Asaib Ahl al Haq did not hand over any missiles, even though the disarmament committee reportedly requires the militias to hand over short-range missiles.[34] Asaib Ahl al Haq controls several headquarters and bases across Iraq, at which the militia stores weapons including drones and missiles.[35] ISW-CTP has previously assessed that Asaib Ahl al Haq possibly announced its willingness to disarm in order to gain access to the 35,000 jobs in Iraq’s security establishment that Iraqi Prime Minister Ali al Zaydi has reportedly set aside for militia members willing to disarm.[36]

Arabian Peninsula

Nothing significant to report.

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