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US and Iran discuss phased deal to reopen Hormuz and end US blockade, sources say

By **Samia Nakhoul, Parisa Hafezi and John Irish**

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Summary

- US and Iran explore a phased deal after months of war
- Proposal for Iran to reopen Hormuz, US to lift blockade
- Neither side wants to surrender leverage driving diplomacy
- Midterms may dent chance of breakthrough, ex-official says

Iran signals flexibility on fees, not on Strait of Hormuz

Sept 24 (Reuters) - US and Iranian negotiators in New York are exploring a phased path out of war that would involve Tehran reopening the Strait of Hormuz and Washington lifting its economic blockade of Iran, sources close to the talks said.

The strait has become the central bargaining chip in efforts to end the nearly seven-month US-Iran conflict, with Iran seeking relief from the US blockade that is choking its economy and Washington seeking free passage for ships on the global oil supply route now blocked by Tehran.

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The talks face a big obstacle as neither side wants to be the first to surrender its leverage, according to comments to Reuters by two Iranian sources, two regional officials and two Western diplomatic sources, but behind Iran's stance is a recognition of the economic cost of prolonged confrontation.

A senior Iranian official said the most plausible way to end the impasse would be a phased arrangement, with Iran allowing navigation through Hormuz in return for the US lifting its economic blockade and Tehran potentially gaining access to frozen assets.

"One way forward would be to solve the crisis in stages. The first would be to end the blockade and reopen Hormuz," he said on the sidelines of the UN General Assembly.

That would involve US President Donald Trump accepting another temporary fix, after an earlier understanding collapsed in July. So a central challenge facing the negotiators is not just to sketch out a deal but also to ensure any concessions are durable enough for both sides to trust, the sources said.

Trump has said he thinks the US and Iran could reach a deal after midterm elections to Congress on November 3. A senior European official said the Iranians "have a very long list of demands."

A White House official said that while "Iran is desperate for a deal, President Trump holds all the cards and will make whatever decision is best for the United States."

Trump, he said, remained "open to talking with Iran under the right circumstances" but had no need to negotiate, and the US was in a "very strong position" with control of the Strait of Hormuz and an Iranian economy that was "collapsing."

The official said "crushing sanctions" and "one of the most successful blockades in history" have crippled Iran's economy and left Iran completely broke. Trump was content to let the "inevitable Iranian collapse" play out rather than be "played" by Tehran, the official said.

Former US negotiator Dennis Ross said he saw only a 30% chance of an agreement being reached before the vote, but that both sides may have stronger reasons to make a deal before than after the midterms.

"The blockade is what's really squeezing the Iranians. It's strangling them," Ross said.

A deal before the midterms could benefit Trump, as reopening Hormuz could ease tensions in the Gulf, contain oil prices and help bring down politically sensitive US gasoline prices.

Iran's chances of gaining much-needed economic relief may be greater while Trump still has a greater political incentive to strike a bargain.

After the midterms, Ross said, Trump may face fewer constraints and be more willing to intensify pressure or consider military options.

LEVERAGE AS OBSTACLE?

The leverage that brought Washington and Tehran back to negotiations could also make compromise harder.

Washington controls the pressure that is hurting Tehran most, while Tehran controls access to a critical energy chokepoint. Neither side wants to surrender that leverage without extracting something tangible in return.



Vessels at the Strait of Hormuz, as seen from Musandam, Oman, September 23, 2026. REUTERS/Stringer [Purchase Licensing Rights](#) 

This means the midterms may be less a deadline for diplomacy than for preserving the conditions that make the diplomatic efforts possible. If Washington and Tehran cannot turn leverage into a deal before the midterms, the diplomatic window could narrow as the risk of escalation grows.

Even as it seeks a diplomatic off-ramp, Tehran is preparing for the possibility of renewed war with Washington, the Iranian official said, accusing the US of using the economic blockade and threat of force as tools of coercion.

"Our fingers are on the trigger," said the senior Iranian official. "The Americans know what they need to do but, because of their excessive demands, the chances of diplomacy resolving this are extremely low."

Regional sources said Tehran was willing to drop a demand for payment of transit fees to use the Strait of Hormuz from the main agreement and put the demand in a side attachment instead, as ending the blockade had become the more urgent priority.

Gulf states have rejected the proposal for payment of transit fees. Any arrangement would be temporary, not a formal abandonment of Iran's position, the regional sources said.

The US has tightened the economic vice on Iran, layering new sanctions on top of a blockade that has choked off Iran's oil exports, an important source of hard currency.

This month, it targeted Iran's remaining commercial airlines and support networks as part of a campaign to sever the economic lifelines sustaining the government and the powerful Revolutionary Guards. Trump warned that Iran's economy could "rot" unless it reached a deal.

"Iran is not primarily focused on imposing tolls in Hormuz but on preserving its administrative control of the waterway," he said. "Iran may be willing to defer the toll issue, but they are not going to give up administrative control of the strait."

At the heart of the diplomacy in New York is a fundamental tension. Washington wants pressure to produce concessions, Tehran wants pressure removed before making them, and the Gulf states want the conflict resolved without allowing the region's strategic waterways to become enduring bargaining chips.

FEARS OF AN OPEN-ENDED CONFLICT

During a separate meeting with Trump in New York, Gulf leaders sought clarity on Washington's endgame beyond the midterms, including on whether the US would resume military action if Iran refused to return to negotiations.

They conveyed their collective rejection of any Iranian control of Hormuz, saying freedom of navigation must be restored and that the strategic waterway should not become a tool of coercion against Gulf states, regional sources said.

Yet alongside their warnings over Hormuz, Gulf leaders have pressed hard for de-escalation and a political process, reflecting the region's determination to stay out of any further conflict between the US and Iran.

"It's still not clear what Trump's endgame is, or what the alternative to the pressure campaign would be," said Ebtessam al-Ketbi, president of the Emirates Policy Center think tank based in Abu Dhabi.

"The Iranians, by contrast, know what they want. They're reshaping the regional landscape through Hormuz and Bab el-Mandeb with a clear objective while Washington has yet to define its roadmap," she said, referring to the Bab el-Mandeb Strait, which connects the Red Sea to the Gulf of Aden.

That uncertainty is also shaping Tehran's calculations. Danny Citrinowicz, a regional analyst and former Israeli military intelligence officer, said the New York talks had not altered the basic positions of either side and that Iran was unlikely to retreat as long as it believed Trump wanted to avoid a wider escalation before the midterms.

"The blockade is hurting them, but rather than softening their position, it is likely to drive them to escalate because they believe that if they soften their position, they are dead," said Alan Eyre, a former US negotiator on Iran.

A Western official familiar with the talks added: "It is all about opening the Strait of Hormuz. We're all under pressure domestically and the Iranians know that."

Updates with US official's comment in paragraphs 8-10

Additional reporting by Steve Holland in Washington; Writing by Samia Nakhoul, Editing by Timothy Heritage

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