



# The Iran War and the Global Terrorism Threat

External  
Operations Model

State-Sponsored  
Terrorism Threats

Houthis, Gulf States and  
the Nuclear Question





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# Key Findings

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The terrorism threat to Western nations from Iran-linked actors is significant and multifaceted, operating through four simultaneous vectors: direct Islamic Revolutionary Guard Corps (IRGC) agents, criminal proxies, Hezbollah sleeper networks, and radicalised lone offenders.

The Austin, Texas shooting on 1 March 2026; a targeted attack on an Iranian-Canadian dissident's gym in Ontario; and a car attack on a synagogue in Michigan illustrate how these threats are already materialising.

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The loss of Iran's senior theocratic and military leadership has created a command vacuum. IRGC forces, including missile forces that are acting autonomously, reduce the likelihood of quick resolution.

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Proxy networks, including Hezbollah, Iraqi Shia militias, and the Houthis, are also acting semi-autonomously. Their operations are less predictable and harder to deter.

Iran has the potential for regional destabilisation. Iraq has 67 militias with a minimum 160,000 fighters loyal to Iran. Iran also borders Afghanistan and Pakistan and has active separatist groups along these borders.

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Hezbollah is likely to become engaged in a major ground war with Israel which will occupy its attention. Its missile capabilities have been significantly degraded; however, sleeper cells and drone attacks still pose a significant threat.

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Iran has effectively closed the Strait of Hormuz, with limited attacks on tankers causing wild swings in the price of oil.

The substantial increases in oil prices will have significant effects on inflation and economic growth. If Brent crude rises to \$120 per barrel, the estimated impact is a 1.2 per cent increase in inflation and a 0.4 per cent contraction in economic growth.

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Past regime changes within the region have resulted in civil wars, accompanied by significant increases in terrorism, massive refugee flows and battlefield deaths. Examples include Iraq, Afghanistan, Syria and Libya.

Without a well-planned and orchestrated post-war plan, Iran could descend into civil war, creating the breeding ground for terrorism. Iranians are also unlikely to accept a US-imposed administration.

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Iraq has 119 parliamentary members aligned to Iran. Nouri al-Maliki, a likely candidate for the next Prime Ministership, also has strong pro-Iranian sympathies. The US government is strongly opposed to his appointment.

The Iraqi government faces a compounding security and stability challenge: balancing its reliance on Iran, keeping the militias onside while responding to US pressure and avoiding US military strikes.

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Iran is fighting for survival while the US administration is talking of a campaign of three to five weeks. The ramifications of this conflict will extend longer.

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# Introduction

This paper assesses the current state of the Iran conflict, especially through the lens of terrorism, its impact on Iranian proxy organisations, the escalating threat of civil war in Iran, the potential for destabilisation in Iraq and the Levant, maritime and cyber dimensions of asymmetric warfare, the broader implications for Middle Eastern and global security, and the impact on terrorism in Western nations. The analysis draws on official government threat products, intelligence assessments, and open-source reporting current as of March 16<sup>th</sup>, 2026.

The assassination of Supreme Leader Ali Khamenei in a joint US–Israeli military operation on February 28<sup>th</sup>, 2026 has thrown the Middle East into chaos, increasing the risk of future terrorist activity both in the region and overseas while negatively impacting the global economy. His son Mojtaba Khamenei has been elected as his replacement; however, both the US and Israel have threatened to assassinate him. Operation Epic Fury (United States) and Operation Roaring Lion (Israel) represent the culmination of a 23-month escalation cycle that began after direct strikes by Israel that killed eight senior members of the IRGC. Iran retaliated with the first direct missile attack on Israel in April 2024. Conflict intensified through the June 2025 Twelve-Day War and now encompasses the entire Persian Gulf.<sup>1</sup>

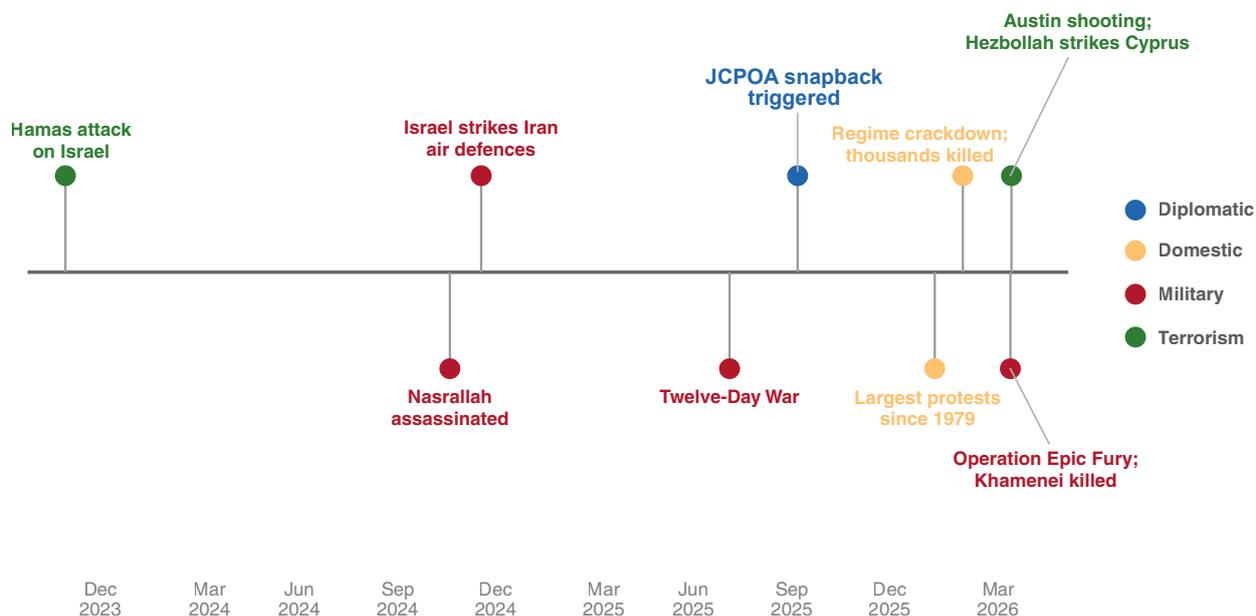
Iran's recent retaliatory strikes against US bases and civilian infrastructure across six Gulf states, its closure of the Strait of Hormuz, and the mobilisation of proxy networks from Iraq to Yemen signal a regime fighting for survival, one that has historically turned to terrorism as a tool of asymmetric warfare. Early indicators suggest the IRGC intends to sustain a prolonged campaign, leveraging global economic disruption as strategic pressure on the United States. This will likely be accompanied by a pattern consistent with Iran's long-standing deterrence model: broaden the battlefield, escalate through proxy partners, and complement conventional military action with covert operations and possibly cyber activity.<sup>2</sup>

Internationally, the legal basis for the initial US-Israeli strikes remains contested. The US has positioned itself as removing a major state sponsor of terrorism and aspiring nuclear power. The UN Secretary-General and a number of states have focused solely on the nuclear threat and characterised Operations Epic Fury and Roaring Lion as inconsistent with the UN Charter's prohibition on the use of force.<sup>3</sup> This is a position supported by the UN Special Rapporteur on Human Rights and Counter-terrorism, who assessed that Iran had not enriched uranium to weapons-grade to levels sufficient for a nuclear bomb.<sup>4</sup>

FIGURE 1

## Iran–Israel–US escalation timeline, October 2023 to March 2026

The escalation from proxy conflict to direct military confrontation followed a 29-month trajectory of progressively intensifying exchanges.



Source: ISW; The Guardian; IEP

### From Shadow War to Open Conflict

The current crisis emerged from a rapid escalation cycle. Figure 1 traces the escalation from the Hamas attack on October 7<sup>th</sup>, 2023 through to Operation Epic Fury on February 28, 2026. The timeline illustrates the progressive intensification of the conflict across military, diplomatic, and domestic dimensions, from the targeted assassination of Nasrallah in September 2024, through the Twelve-Day War in June 2025, to the mass protests and regime crackdown that preceded the US–Israeli offensive.

After the Hamas attack on Israel on October 7<sup>th</sup>, 2023, Iran’s regional proxy architecture, including Hezbollah, the Houthis, and Iraqi Shi’a militias, opened multiple fronts against Israel and US forces. Israel’s assassination of Hezbollah leader Hassan Nasrallah in September 2024, followed by a ground invasion of southern Lebanon and strikes on Iran’s Russian-supplied S-300 air defence systems in October 2024, fundamentally shifted the balance of power.

The June 2025 Twelve-Day War marked the first sustained aerial conflict between Israel and Iran. Israel launched Operation Rising Lion on June 13<sup>th</sup>, sending over 200 fighter jets to strike approximately 100 targets, including the Natanz, Fordow, and Isfahan nuclear facilities, destroying an estimated 50 per cent of Iran’s missile stockpile and killing 30 senior Islamic Revolutionary Guard Corps (IRGC) commanders and 11 nuclear scientists. On June 22<sup>nd</sup>, the United States entered the conflict directly, deploying B-2 stealth bombers to drop 14 Massive Ordnance

Penetrators on Iran’s underground nuclear sites. A ceasefire brokered by Qatar on June 24<sup>th</sup> halted fighting after approximately 1,062 Iranian and 29 Israeli deaths.

The period between the June 2025 ceasefire and February 2026 saw three pivotal developments. Firstly, the E3 nations (France, Germany, and the United Kingdom) triggered the Joint Comprehensive Plan of Action (JCPOA) ‘snapback’ mechanism in August 2025, reimposing comprehensive United Nations sanctions by September. Secondly, Iran’s economy collapsed further. The rial plunged from roughly 1.07 million to 1.4 million per US dollar, triggering the largest protests since the 1979 revolution in late December 2025. The regime’s crackdown killed between 7,000 and 43,000 people, with Amnesty International describing January 2026 as the deadliest period of repression by the Iranian authorities in decades.<sup>5</sup> Thirdly, indirect US–Iran nuclear talks in Oman showed no breakthrough by mid-February, with the United States demanding zero enrichment and Iran refusing. The Iranian government wanted the ability to enrich uranium to a level needed for nuclear power plants. A standard light-weight water reactor needs three to five per cent enrichment.

On February 28<sup>th</sup>, 2026, the United States and Israel launched their coordinated offensive. Approximately 2,000 strikes hit military, nuclear, and leadership targets across Iran. Khamenei, Defence Minister Aziz Nasirzadeh, and IRGC ground forces commander Mohammad Pakpour were confirmed killed. Iran retaliated by launching missiles and drones at Israel, and US bases in Jordan, Kuwait, Bahrain, Qatar, Iraq, Saudi Arabia, and the United Arab Emirates (UAE), striking Kuwait International Airport and Dubai, and announcing the effective closure of the

Strait of Hormuz.<sup>6</sup> Casualty estimates vary, but as of March 15th, more than 5,000 military personnel and civilians were reported killed in Iran. US forces had 15 fatalities and more than 180 wounded, while Israel has reported 19 soldiers and civilians killed and approximately 3,000 civilians injured. Hezbollah has lost more than 350 fighters, and in Iraq 54 members of the Popular Mobilization Forces have been killed.

## Leadership Decapitation and the Succession

Table 1 shows the key leadership figures and organisations who were targeted at the beginning of Operation Epic Fury, their strategic function, and the impact that the strikes have had on Iran more broadly.

The death of Ayatollah Ali Khamenei triggered a constitutional succession crisis, altering the decision-making structures of the Islamic Republic. Following his death, executive authority temporarily transitioned to an interim leadership council comprising President Masoud Pezeshkian, Judiciary Chief Gholam-Hossein Mohseni-Ejei, and senior conservative cleric Alireza Arafii.

On March 11th, the Assembly of Experts, the clerical body constitutionally mandated to select the Supreme Leader, chose Mojtaba Khamenei, the second son of the late Ayatollah. Notably, Mojtaba Khamenei has cultivated deep and longstanding ties to the security establishment. His first public address, released on March 12<sup>th</sup>, adopted a sharply anti-American and anti-Israeli tone and emphasised the continuation of the conflict.

The military campaign has simultaneously targeted the IRGC's institutional infrastructure and its paramilitary wing Basij. The destruction of the IRGC Ground Forces Sarallah Headquarters in Tehran, the Tehran Revolutionary Court, and facilities of the regime's internal security apparatus has severely degraded its ability to coordinate complex, multi-theatre operations.<sup>7</sup> Iran's weapons manufacturing infrastructure has also been targeted with the aim of stopping the manufacture of missiles and drones. US-Israeli forces also struck the Assembly of Experts building in Qom and its headquarters in Tehran, though Iranian media reported the buildings were unoccupied at the time. Israel has expanded its bombardments of Iran, on March 13th, targeting multiple oil refineries across Tehran causing black rain containing sulphur, when combined with rainwater it has the potential to form acidic rain.

The initial strikes have forced decentralisation of the IRGC and Iran's proxy networks. Without the rigid, top-down oversight previously exercised by the IRGC high command, regional proxy groups and global sleeper cells can operate with unprecedented autonomy. This autonomy significantly increases the unpredictability of terrorist incidents globally, as proxy commanders are empowered to act locally rather than waiting for explicit directives from Tehran.

The theological implications are equally profound. The *Velayat-e Faqih* doctrine that ideologically binds Hezbollah and other proxies to Iran's Supreme Leader has been thrown into uncertainty. Iran's proxies are increasingly acting independently rather than under a unified command, making them potentially more unpredictable.<sup>8</sup>

TABLE 1.1

### Key leadership and institutional targets struck in Operation Epic Fury

The systematic targeting of Iran's command architecture has collapsed the conventional deterrence paradigm.

Target	Strategic function	Status (March 2026)	Impact
Ayatollah Ali Khamenei	Supreme Leader, absolute authority over state and military.	Killed in targeted strike in Tehran.	Triggered constitutional succession crisis, forced reliance on interim council.
Maj. Gen. Abdol Rahim Mousavi	Chief of the Armed Forces General Staff.	Killed in targeted strike.	Severed coordination between conventional military and IRGC branches.
Assembly of Experts facilities	Body responsible for selecting the Supreme Leader.	Struck in Qom and Tehran; structurally damaged.	Disrupted capacity to formally elect a permanent successor.
IRGC Sarallah Headquarters	Internal security, protest suppression, capital defence.	Destroyed by combined airstrikes.	Weakened domestic grip, potential for localised civilian uprisings.
Daoud Ali Zadeh	Quds Force commander in Lebanon.	Killed in Tehran strike.	Degraded direct liaison between Tehran and Hezbollah.

# Iran's External Operations Model

Iran's asymmetric posture toward the United States is marked by sustained mutual hostility. Key episodes include the US-backed overthrow of the democratic government of Prime Minister Mohammad Mosaddegh in 1953, American support for Saddam Hussein during the Iran-Iraq war of 1980-1988, and the US assassination of IRGC Quds Force commander Qassem Soleimani in January 2020.

Iran has been consistently identified by the United States as the world's leading state sponsor of terrorism, possessing a documented history of executing asymmetric attacks against Western interests spanning nearly half a century.<sup>9</sup>

Official US threat reporting states that Iran's strategy is heavily reliant on a network of partners and proxies and on hybrid warfare, combining conventional capabilities with unconventional tools to threaten US interests and allies while limiting the risk of direct conflict.<sup>10</sup> The IRGC Quds Force (IRGC-QF) is assessed by the US National Counterterrorism Center (NCTC) as providing guidance, training, funds, and weapons to partners and proxies, sustaining multi-theatre capabilities and preserving plausible deniability.<sup>11</sup>

The lineage of Iranian asymmetric warfare against the United States commenced with the November 1979 seizure of the US Embassy in Tehran, resulting in a 444-day hostage crisis. Throughout the 1980s, Iran cultivated Hezbollah in Lebanon, orchestrating the April 1983 suicide bombing of the US Embassy

in Beirut that killed 17 Americans, and the October 1983 truck bombing of the US Marine compound that killed 241 American military personnel. Iran denied direct responsibility for both attacks. However, declassified US signals intelligence and subsequent US federal court judgments, entered after Iran declined to participate in proceedings, found Iran legally responsible for directing and financing the operations through Hezbollah.<sup>12</sup>

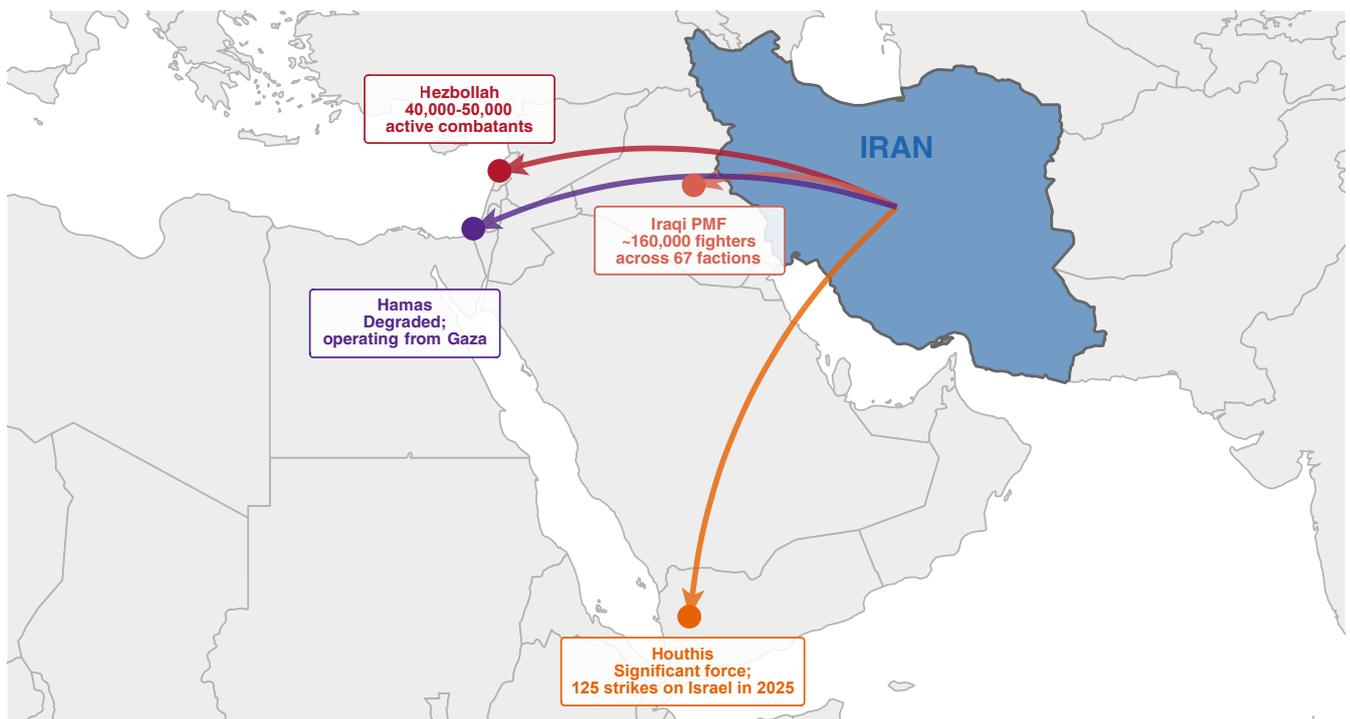
Iran's operational reach expanded in the 1990s, culminating in the 1996 Khobar Towers bombing in Saudi Arabia where 19 US Airmen were killed, and the facilitation of Al-Qaeda operations, including the 1998 embassy bombings in East Africa. Following the 2003 US invasion of Iraq, the IRGC-QF systematically funded, trained, and armed Shia militias, resulting in the deaths of at least 603 US troops between 2003 and 2011 through IED attacks and orchestrated ambushes in Iraq. When outmatched conventionally, the Iranian regime tends to fall back on decentralised terrorism to impose costs on its adversaries.

Figure 2 maps Iran's principal proxy organisations and their geographic reach. The IRGC Quds Force provides guidance, training, and financial support to Hezbollah in Lebanon, the Popular Mobilisation Forces in Iraq, the Houthis in Yemen, and Hamas in Gaza. Together, these groups form the core of Iran's 'Axis of Resistance' a network that has been both weakened and decentralised by the events of the past two years.

FIGURE 2

## Iran's proxy network and Axis of Resistance

Iran's transnational proxy architecture spans four principal organisations across the Middle East, each receiving direct IRGC-QF support.



Source: NCTC; ODNI; IEP

# Hezbollah: Degradation and Strategic Recalculation

Lebanese Hezbollah represents the most formidable entity within Iran's transnational proxy network. Hezbollah was founded with Iranian support following Israel's 1982 invasion of Lebanon. Iran has trained thousands of Hezbollah fighters for war and terrorist operations globally.<sup>13</sup> Hezbollah's external operations apparatus, the Islamic Jihad Organisation, also known as 'Unit 910' is believed to be primarily responsible for overseas terrorism operations, including against US targets, and to maintain clandestine infrastructure abroad.<sup>14</sup>

## DEGRADATION THROUGH THE 2024–2025 CAMPAIGNS

Israel's 2024 Lebanon campaign killed approximately 3,800 Hezbollah fighters, with some estimates reaching 10,000 by mid-2025, including Nasrallah, his expected successor Hashem Safieddine, and nearly half of the military council. A US-brokered ceasefire in November 2024 required Hezbollah to withdraw north of the Litani River and the Lebanese Armed Forces to deploy 10,000 troops to the south.

The December 2024 fall of the Assad regime in Syria, where Iran had invested an estimated US\$30–50 billion over a decade, severed Hezbollah's primary arms supply corridor. New Syrian leader Ahmed al-Sharaa banned Iranian nationals from entering Syria, intercepted weapons shipments, and denounced Iranian proxies as a regional threat.<sup>15</sup> The fall of the Assad regime likely diminished Iran's ability to resupply Hezbollah through Syria, which may push the organisation to rely more on stockpiles and local production, seek alternative smuggling routes through Türkiye and maritime channels, and compensate with cyber and external operations rather than large-scale conventional

firepower. Complicating and possibly expanding the conflict in the Middle East, Netanyahu recently commented on a firm stance against Turkish involvement in regional security, viewing Türkiye alongside Iran as a significant, hostile, and destabilising force.<sup>16</sup>

Nonetheless, Hezbollah has not been destroyed. A February 2026 assessment found the organisation retains roughly one third of its pre-war firepower, with 40,000–50,000 active combatants and 30,000–50,000 reservists. Iran transferred over US\$1 billion to Hezbollah in the first ten months of 2025, and the IRGC has taken direct leadership of the group's rebuilding effort, including supervising indigenous drone and missile manufacturing.<sup>17</sup> US financial intelligence notes that Iranian support has historically approximated US\$700 million per year, and that Hezbollah also acts as a conduit for funds from Iran to other Iran-aligned groups.

## ESCALATION FOLLOWING OPERATION EPIC FURY

The assassination of Khamenei on 28 February triggered an immediate Hezbollah response. Hezbollah's strategic shift is outlined in Table 2.

On March 1-2, Hezbollah launched extensive rocket and drone barrages targeting northern Israel, reaching as far as the Haifa area and targeting strategic military installations including the Ramat David airbase. The strikes were in retaliation for the killing of Ayatollah Khamenei.<sup>18</sup> This marked the first significant bombardment originating from Lebanon since the November 2024 ceasefire. In retaliation, the Israel Defense Forces (IDF) struck over 70 weapons depots, launch sites, and logistical centres within southern Lebanon, alongside extensive airstrikes across Beirut's southern suburbs. As of March 15th, over 750,000 people have been displaced, with this number likely to rise substantially.<sup>19</sup>

TABLE 1

## Hezbollah's strategic shift before and after March 2026

Hezbollah has transitioned from calculated border friction to full-scale, regionalised warfare.

Theatre	Pre-March 2026 strategy	Post-March 2026 strategy	Strategic objective
Israeli border (skirmishes)	Proportional skirmishes; adherence to unwritten rules of engagement.	Unrestricted rocket/drone barrages targeting military bases and civilian centres in the northern regions of Israel across the border	Exhaust Israeli air defences; force a two-front war to alleviate pressure on Tehran.
Israeli border (ground invasion)	Attacks on Israeli positions and civilian centres in northern Israel and along the Lebanese border, with measured strikes extending to other parts of the country.	Unrestricted rocket/drone barrages targeting military bases and civilian centres across Israel.	Ensure survivability and remain a credible paramilitary force in Lebanon
Eastern Mediterranean	Rhetorical threats and intelligence gathering.	Direct kinetic strikes on European/NATO soil (e.g. RAF Akrotiri, Cyprus).	Deter Western logistical support; fracture international diplomatic consensus.
Command architecture	Highly centralised; tightly coordinated with IRGC-QF liaisons.	Semi-autonomous operations; reliance on localised unit commanders.	Ensure operational continuity despite decapitation of Iranian military liaisons.

Source: ISW, The Guardian, IEP calculations

Lebanese Prime Minister Nawaf Salam ordered a halt to all Hezbollah military activities, though his government's enforcement capacity remains limited. The IDF also commenced a significant ground invasion, deploying the 91st and 210th Territorial Divisions into southern Lebanon, and has simultaneously targeted Hezbollah's financial infrastructure through strikes on branches of the al-Qard al-Hassan network. It should be noted that the February 2026 escalation did not occur in a vacuum. Following the November 2024 ceasefire, the IDF conducted approximately 669 airstrikes on Hezbollah targets in Lebanon, with total recorded ceasefire violations, including airspace incursions, artillery fire, and ground incursions, exceeding 10,000 incidents according to monitoring organisations. OHCHR recorded at least 130 civilian deaths in Lebanon during this period. Both the scale of Israeli military

activity since the ceasefire and Hezbollah's own violations of its terms form the immediate backdrop to the current escalation.

The conflict has accelerated Hezbollah's geographic expansion of target selection beyond the immediate Israeli theatre. On March 2<sup>nd</sup>, 2026, drone strikes targeted the Royal Air Force (RAF) Akrotiri base in Cyprus. Intelligence assessments and Cypriot sources strongly indicate the drones were launched by Hezbollah from Lebanon.<sup>20</sup> This followed a June 2024 warning from former Hezbollah Secretary-General Hassan Nasrallah threatening retaliation if Cyprus permitted its military infrastructure to be used by Israel or Western allies. This appears to be a calculated Iranian strategy executed by Hezbollah to impose costs on Western nations facilitating the US-Israeli campaign.

# Iranian State-Sponsored Terrorism Threats to Western Nations

The terrorism threat from Iran, both within the region and to Western nations more broadly, has escalated dramatically and now operates through four distinct pathways: direct Iranian agents, criminal surrogates, terrorist proxies (principally Hezbollah), and inspired lone offenders.<sup>21</sup> Multiple official threat products converge on a high-confidence baseline of Iranian intent to target specific categories of individuals and institutions in the West.

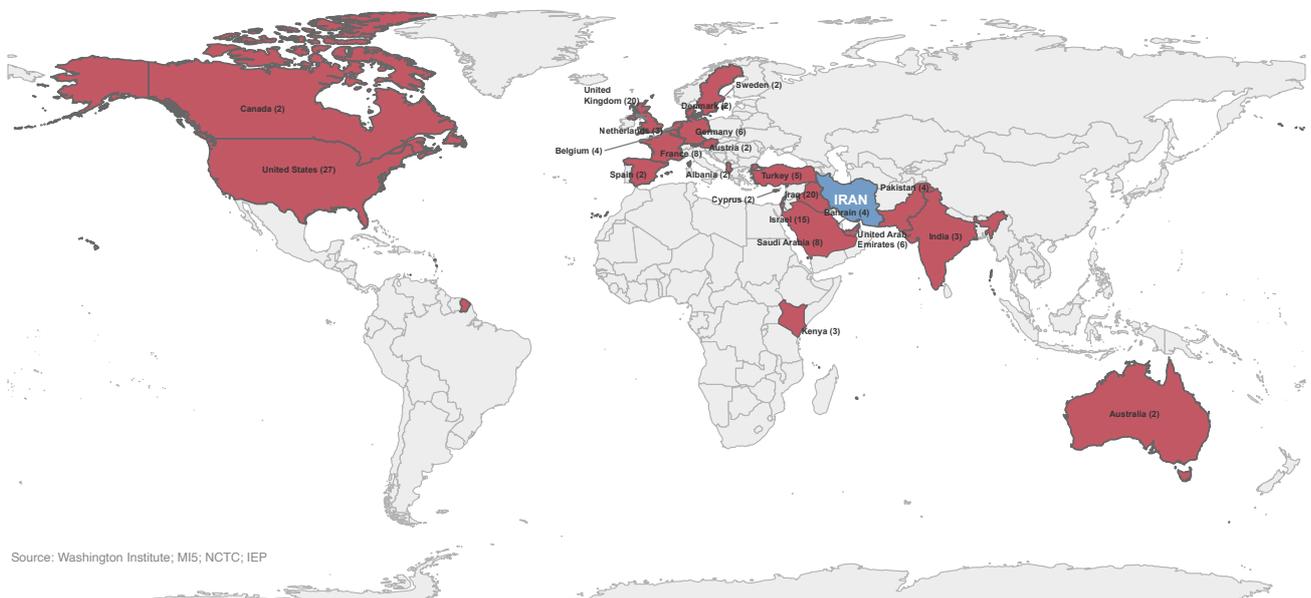
## SCALE OF IRANIAN COVERT OPERATIONS

The scope of Iranian external operations is substantial. The Washington Institute for Near East Policy has documented 157 cases of Iranian foreign operations over the past five years, including 27 plots in the United States and 54 in Europe between 2021 and 2024.<sup>22</sup> Figure 3 shows the scale of documented Iranian foreign operations against Western nations.

FIGURE 3

## Documented Iranian foreign operations against Western nations, 2021–2025

Iran has conducted at least 157 documented covert operations across Western nations and the broader Middle East in the past five years.



Source: Washington Institute; MIA; NCTC; IEP

MI5 Director General Ken McCallum revealed that since January 2022, UK authorities had uncovered 20 Iranian-backed plots presenting potentially lethal threats to British citizens. The UK government has described a significant increase in the physical threat posed by Iran in the United Kingdom, including attempts at murder or kidnapping since 2022, often through third-party agents.<sup>23</sup>

The US Intelligence Community assesses that Iran remains committed to developing surrogate networks inside the United States and has previously attempted lethal operations on US soil. US homeland threat reporting states that Iran maintains its intent to kill US government officials it blames for the death of Qassem Soleimani, and highlights indictments and sanctions tied to assassination plotting. In November 2024, the Department of Justice charged Farhad Shakeri and two accomplices in an IRGC-directed plot to assassinate then-President-elect Donald Trump.<sup>24</sup>

In Australia, the government took steps to officially designate the IRGC as a state sponsor of terrorism under the newly enacted Criminal Code Amendment (State Sponsors of Terrorism) Act 2025.<sup>25</sup> This was catalysed by intelligence assessments linking the IRGC to the October 2024 firebombing of Lewis' Continental Kitchen in Sydney and the December 2024 armed assault on the Adass Israel Synagogue in Melbourne.<sup>26</sup> The Albanese government enacted sweeping sanctions against over 200 Iranian-linked entities, criminalising any association, funding, or recruitment activities linked to the IRGC on Australian soil with penalties of up to 25 years in prison.

Iran's operational methodology has evolved to rely heavily on criminal proxies such as drug traffickers, organised crime figures, and prison contacts as intermediaries, creating layers of plausible deniability.<sup>27</sup> A July 2025 joint statement by the United States and 15 Western nations found Iranian intelligence services were increasingly collaborating with international criminal organisations. A prominent case was the Belgian conviction of an Iranian diplomat for a thwarted bomb plot targeting a large opposition rally in France, for which it was reported that the explosives were manufactured and tested in Iran.<sup>28</sup>

## **Post-Strike Threat Escalation**

The February 28<sup>th</sup> strikes elevated the threat to unprecedented levels. The Department of Homeland Security (DHS) warned that Iran will almost certainly escalate retaliatory actions following confirmation of Khamenei's death.<sup>29</sup> The West Point Combating Terrorism Center assessed that near-term plots are most likely to come from criminal proxies and lone offenders, while in the longer term Iran will turn to foreign plots to avenge the loss of senior officials.

The threat materialised within 72 hours. On March 1<sup>st</sup>, 2026, a mass casualty event occurred in Austin, Texas, when an armed assailant opened fire outside Buford's, a popular bar in the city's West Sixth Street district, killing three people and severely injuring 14 others before being neutralised by law enforcement.<sup>30</sup> The FBI's Joint Terrorism Task Force identified the suspect as 53-year-old Ndiaga Diagne, a naturalised US citizen originally from Senegal. Diagne executed the attack wearing clothing with

ideological symbolism, including an undershirt bearing the emblem of the Islamic Republic of Iran. A search of his vehicle and apartment yielded flags of the Islamic Republic, and photographs of senior Iranian regime leaders.

Digital forensics linked the suspect to pro-regime social media activity. An account belonging to Diagne had recently interacted with a post by Iranian Foreign Minister Abbas Araghchi, pledging that the 'Islamic Revolution is eternal and here to stay until the end of time'. Federal authorities stated that Diagne was not on their radar prior to the attack.

Hours after the death of Khamenei was announced publicly, an armed assault targeted the Saliwan Boxing Club on Yonge Street in Richmond Hill, Ontario, Canada. The facility is owned by Salar Gholami, an Iranian-Canadian cruiserweight boxing champion and vocal dissident critic of the Islamic Republic. The gym was sprayed with 17 rounds of live ammunition, with ballistic evidence indicating the shooter specifically targeted front windows displaying pro-Iranian liberation flags and anti-regime imagery.<sup>31</sup>

On March 12<sup>th</sup>, a Lebanese-born US citizen, Ayman Mohamad Ghazali, rammed a truck into Temple Israel synagogue in West Bloomfield, Michigan, the largest Reform synagogue in the United States, which also houses an early childhood centre, before exiting the vehicle armed with a rifle.<sup>32</sup> The suspect's vehicle, which contained mortar-type explosives, caught fire inside the building. He was shot and killed by synagogue security, and all 140 students and staff were evacuated safely. The FBI is investigating the attack as a targeted act of violence against the Jewish community.

In Europe, intelligence officials and lawmakers, such as German representative Marc Henrichmann, have publicly warned that retaliatory measures by sleeper cells across the continent are highly probable.<sup>33</sup> Security analyses assess that the primary targets for European networks are likely to be Jewish community centres, Israeli diplomatic missions, and US government-linked personnel, operating under a semi-autonomous command model. In response to the escalating threat landscape, FBI Director Kash Patel significantly boosted surveillance protocols over suspected Hezbollah-linked sleeper cells.

# Iraq: Under Pressure

Iraq has become more precarious because of the current crisis, dependent on the United States for financial system access and on Iran for approximately US\$900 million monthly in electricity and natural gas imports. Foreign policy analysts have drawn parallels between the US–Israeli campaign and the 2003 invasion of Iraq, noting that the absence of a post-conflict stabilisation plan contributed to prolonged sectarian violence, state fragmentation and high levels of terrorism.<sup>34</sup>

Iranian-backed proxy groups have been integrated into the Iraqi state security apparatus. They are known as the Popular Mobilisation Forces (PMF). The PMF date back to the rise of ISIS and were set up and funded as independent militias to fight ISIS. They currently have at least 160,000 fighters across 67 factions with some estimates as high as 240,000.<sup>35</sup>

Following the February 28<sup>th</sup> strikes, prominent factions including Kataib Hezbollah, Harakat Hezbollah al Nujaba, and Kataib Sayyid al Shuhada explicitly declared their entrance into the war, characterising the conflict as a ‘holy battle’ against Western imperialism.<sup>36</sup> The Islamic Resistance in Iraq (IRI) claimed 29 drone attacks on US bases in Iraq within a 24-hour period from March 5<sup>th</sup>.<sup>37</sup>

The Washington Institute’s tracking assesses that IRI claims are generally reliable indicators of actual attacks, indicating

significant coordination and communication across militia actors. US troops in Erbil also came under attack from Iraqi militant groups.<sup>38</sup> The US military attempted to pre-emptively degrade these militias through targeted airstrikes on known strongholds in Jurf al Sakhr and along the Iran–Iraq border in late February 2026.<sup>39</sup>

The militia response has, however, been uneven. Analysts assess that many Iraqi militias are currently choosing to protect political and economic interests rather than engaging in full-scale confrontation. Iraqi militias have relatively minor military capabilities compared to the Houthis and may serve Iran’s interests more effectively by surviving the crisis intact. The November 2025 Iraqi parliamentary elections saw Iran-aligned factions secure approximately 119 seats, with Nouri al-Maliki nominated as prime minister in January 2026. The US opposed the appointment.

The Iraqi government faces a compounding security and stability challenge: balancing its reliance on Iran, keeping the militias onside while responding to US pressure and avoiding US military strikes. This tension can be structurally escalatory. A sustained militia–US exchange would divert Iraqi security resources, complicate international support, break up territorial control and create local vacuums exploitable by militias and IS.<sup>40</sup>

# The Syrian Vacuum and the ISIS Resurgence Risk

The diversion of Western military resources, intelligence apparatuses, and coalition security forces towards containing Iran and its Shia proxies has created a potential security vacuum in the Levant. Counter-terrorism experts have long warned that aggressive military campaigns in the Middle East that fundamentally destabilise state structures inevitably provide the conditions for Sunni jihadist organisations to reconstitute and expand.

In March 2026, the fragile security architecture surrounding detention centres in north-eastern Syria collapsed. The US intelligence community confirmed that between 15,000 and 20,000 individuals, predominantly the families of Islamic State militants and battle-hardened fighters, escaped from the Al-Hol detention camp following a massive, coordinated prison break.<sup>41</sup> Militants successfully smuggled out operatives after cutting large holes through the perimeter fencing. This catastrophic breach occurred precisely as the Syrian Democratic Forces (SDF) and the US military were forced to redirect their attention towards defending Iranian and proxy missile strikes.

The UN Secretary-General’s ISIS threat reporting describes a resilient, adaptive IS, with continuing efforts in Iraq and Syria and heightened fragility in Syria following regime change. The organisation retained an estimated 2,500–3,000 fighters across Iraq and Syria. Activity has increased dramatically along the Syrian border following Assad’s fall where ISIS conducted 294 attacks in Syria in 2024, up from 121 in 2023, and killed three Americans in Syria in December 2025.<sup>42</sup> ISIS activities saw a relative decline, to 244, in 2025. The drawdown of US forces from Baghdad and Ain al-Asad to the Kurdistan Region in September 2025 has further reduced the international presence available to counter this threat.

The sudden release of up to 20,000 deeply indoctrinated individuals into an active war zone provides ISIS with an unprecedented opportunity to reclaim lost territory and exploit sectarian grievances exacerbated by the US–Israeli campaign against Shia powers. In Yemen, the shifting focus of US resources has also provided Al-Qaeda in the Arabian Peninsula (AQAP) with operational space to rebuild training camps and plot external attacks.<sup>43</sup>

# Maritime Disruption and Global Economic Impact

Iran is leveraging its geographical position on the Strait of Hormuz to disrupt oil and gas shipments, thereby creating economic pressure in its fight for survival. The Strait of Hormuz is a critical maritime transit point through which approximately 20 per cent of global oil supplies and roughly US\$500 billion in energy trade pass annually. Following the initiation of Operation Epic Fury, the IRGC Navy issued a warning that passage through the Strait of Hormuz was strictly prohibited, effectively attempting to close the corridor to all international shipping.

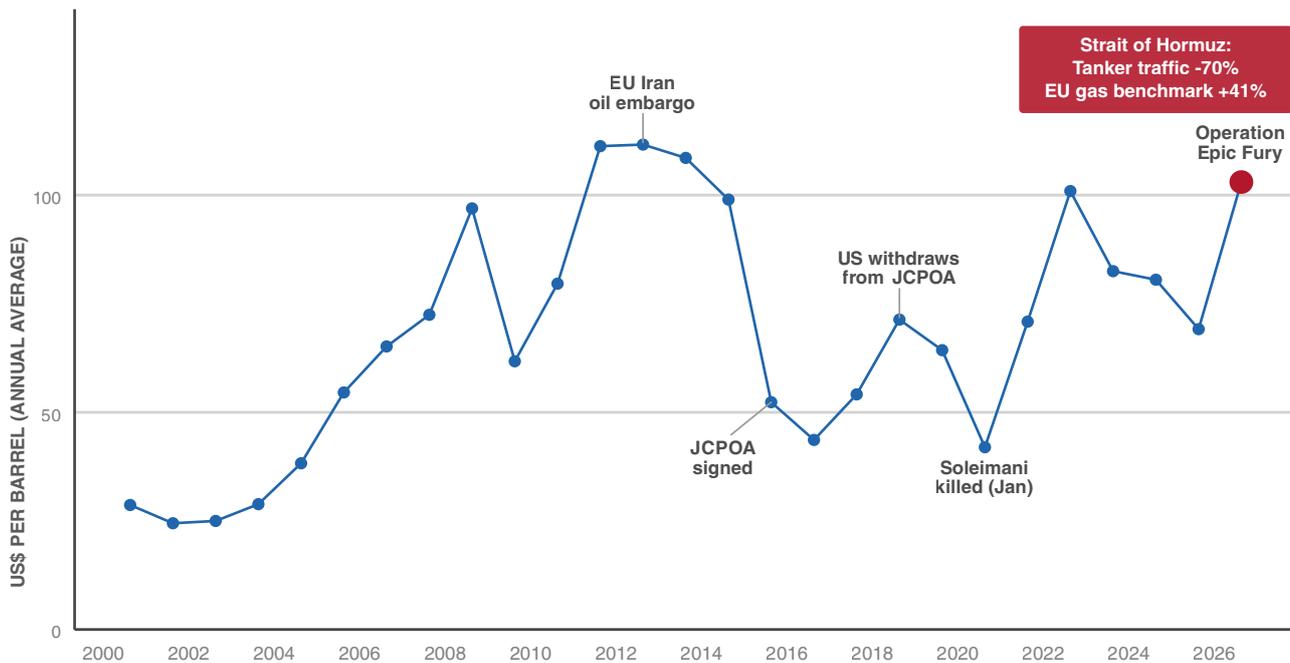
While combined US–Israeli naval forces conducted pre-emptive strikes against Iranian naval assets, destroying several vessels including the IRGC Navy frigate Jamaran, Iran’s deployment of asymmetric naval tactics has successfully paralysed commercial maritime traffic. Over 150 oil tankers, liquefied natural gas (LNG) carriers, and chemical vessels were forced to anchor in open waters. Tanker traffic through the strait dropped by 70 per cent, with major shipping companies such as Maersk rerouting all vessels around the Cape of Good Hope. By March 13<sup>th</sup>, traffic had stopped entirely after the attack on three vessels. The US has promised to supply naval escorts for tanker fleets. However, it remains to be seen whether this will be sufficient for the estimated 150 ships that pass through the strait daily, and whether fleet owners will be willing to take the risk.

Global energy markets reacted sharply. Brent crude oil prices surged towards US\$100 per barrel upon the commencement of hostilities, while European gas benchmark contracts, such as the Dutch day-ahead gas contract, spiked by 41 per cent to €45 per megawatt hour. Qatar Energy was forced to halt production at its massive Ras Laffan and Mesaieed facilities following an Iranian drone strike, immediately removing nearly 20 per cent of the global LNG supply from the market.<sup>44</sup> Drone strikes also targeted Saudi Arabia’s Ras Tanura oil refinery.

Figure 4 shows the Brent crude oil price from 2000 to 2026, with key Iran-related events annotated. The price surge following Operation Epic Fury represents the most significant Iran-related oil shock since the 2012 EU embargo, with Brent crude prices surging towards US\$100 per barrel. European gas benchmark contracts spiked by 41 per cent to €45 per megawatt hour. It is not known how far oil prices will rise but analysts are estimating ranges from \$150 to \$200 per barrel. This would place a serious check on global economic growth and move inflation well beyond most central banks’ target levels.

FIGURE 4  
Brent crude oil price, 2000–2026

The 2026 price surge towards US\$100 per barrel marks the sharpest Iran-related oil shock since the 2012 EU embargo.



Source: EIA

Iran's retaliatory strikes on 28 February and March 1<sup>st</sup> hit civilian and military infrastructure across all six Gulf Cooperation Council (GCC) states, the first time Iran directly attacked the Gulf monarchies on this scale. The UAE suffered the worst, with over 150 missiles and 500 drones causing deaths, injuries, and strikes on Dubai airport. Although the attacks have reduced substantially, there is still considerable risk.

A global energy crisis serves multiple strategic functions for Tehran: it imposes immediate financial pain on Western consumers, threatens to trigger global inflation, disrupts food security by halting fertiliser shipments, and exerts immense diplomatic pressure on the US.

Figure 5 illustrates the immediate impact on maritime traffic. Within 24 hours of the first strikes, tanker transits through the Strait of Hormuz fell to just three, a 94 per cent collapse. Cargo vessel transits fell by 82 per cent over the same period. Over 450 vessels were observed drifting in the Gulf of Oman, while more than 1,100 vessels experienced GPS interference across the Middle East Gulf.

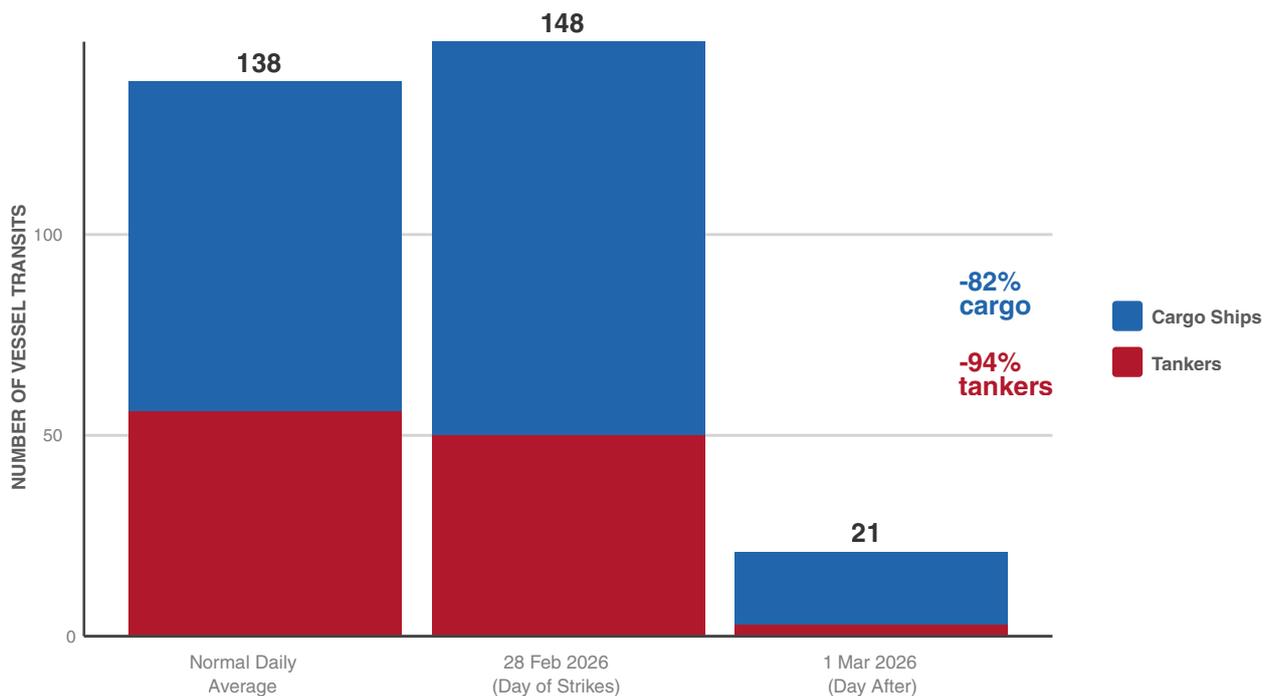
Beyond crude oil, the GCC states supply a substantial share of other critical resources, including feedstocks for synthetic fertilisers and sulphur which are both essential for global mining and mineral extraction, along with significant volumes of natural gas, such as liquefied natural gas (LNG) and helium. LNG remains a vital global energy source, while helium is indispensable for advanced semiconductor manufacturing.

Figure 6 illustrates the proportion of global supply of critical resources exported by GCC states. The supply shock from Urea and Nitrogen is highly significant as the northern hemisphere enters its spring planting season. A lack of fertiliser could reduce harvests in the second half of 2026. A food price increase of up to 20 per cent is possible.

FIGURE 5

## Daily vessel transits through the Strait of Hormuz, February–1 March 2026

Tanker transits through the Strait of Hormuz fell by 94 per cent within 24 hours of the commencement of Operation Epic Fury.



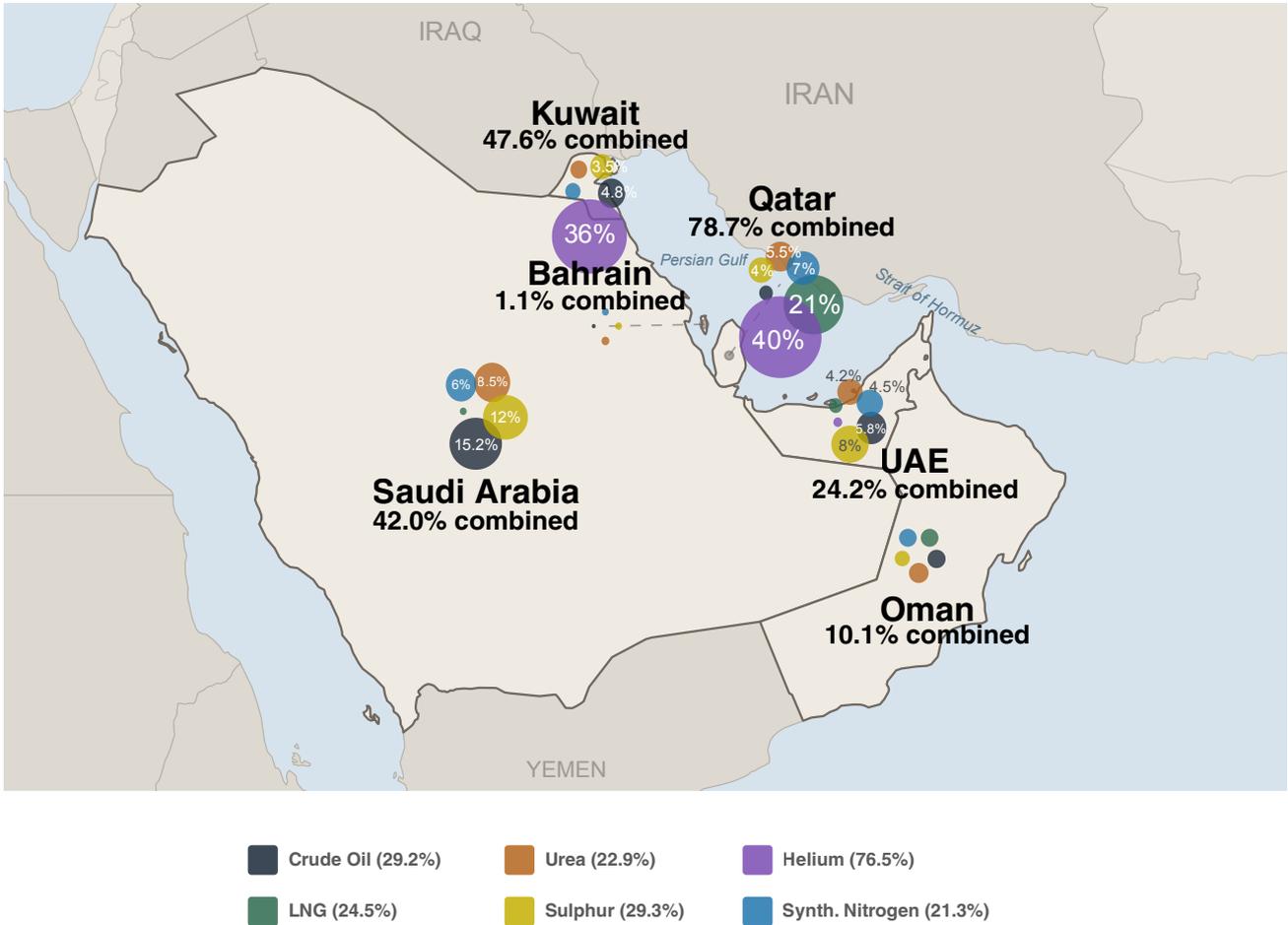
Source: Argus Media; Windward

Source: Argus Media; Windward

FIGURE 6

## Proportions of critical global resources by category exported by Gulf Cooperation Council states

The GCC states supply significant proportions of global fertiliser and natural gas exports. Closure of the Strait of Hormuz is inducing a supply shock.



Source: EIA/Vortexa (crude oil, Q1 2025); IEA/Kpler (LNG, 2025); Kpler/TradeInt (urea, sulphur, nitrogen, 2024–25); USGS (helium). Natural Earth 1:50m. Country shares are estimates; totals may not align with Hormuz transit volumes due to pipeline bypass capacity.

# Houthis, Gulf States and the Nuclear Question

## HOUTHIS RESILIENCE AND RED SEA DISRUPTION

Despite extensive US and Israeli strikes in Yemen, the Houthis have demonstrated remarkable resilience, launching 125 strikes on Israeli soil in the first 11 months of 2025, a 120 per cent increase over 2024.<sup>45</sup> The IRGC-QF is assessed by the NCTC to provide advanced weapons and training to the Houthis, while US financial intelligence notes that Hezbollah has provided training to the Houthis to support strikes and attacks in the Red Sea, contributing to diverted maritime traffic and increased shipping costs. Following the February 28th strikes on Iran, the Houthis immediately threatened to resume Red Sea attacks, however as of March 15th, no attacks have occurred. Growing Houthi coordination with AQAP, al-Shabaab, and IS-Somalia via smuggling networks creates new proliferation risks.

## DIPLOMATIC TENSIONS

The Iran conflict and its aftermath have thrown Gulf diplomacy into considerable turmoil. Saudi normalisation with Israel is, by most assessments, foreclosed for the foreseeable future, a consequence not only of the war with Iran but of the broader fallout from Gaza.

The fallout from the conflict is already fracturing Western unity. The US announced the severance of all trade with Spain following Madrid's refusal to permit the use of its military bases for operations related to the Iran strikes. Relations with the UK have similarly been tested, after Washington publicly dismissed London's offer to deploy aircraft carriers to the region and declared the Iran war 'already won', a statement widely interpreted as signalling a rift with the Starmer government.<sup>46</sup>

## The Nuclear Dimension

Iran's nuclear programme has been a source of international tension for over two decades. The 2015 Joint Comprehensive Plan of Action (JCPOA), negotiated between Iran and the P5+1, constrained Iran's uranium enrichment to 3.67 per cent purity, capped its stockpile of low-enriched uranium, and imposed intrusive IAEA monitoring in exchange for sanctions relief. Under the agreement, Iran's 'breakout time', the period needed to produce enough fissile material for a single weapon, was extended to approximately one year.

In May 2018, the United States withdrew from the JCPOA and reimposed sanctions under a 'maximum pressure' campaign, despite the IAEA confirming Iran's compliance. Iran responded incrementally: by 2019 it had breached enrichment limits, and by

early 2023 it was enriching uranium to 60 per cent purity, just below weapons grade, with a stockpile sufficient for multiple weapons and a breakout time estimated at near zero. Subsequent US diplomatic efforts to revive the agreement failed to bridge a sequencing dispute over whether sanctions relief or nuclear compliance should come first.

From April to June 2025, five rounds of indirect talks mediated by Oman produced no agreement, collapsing over Iran's insistence on retaining enrichment rights. In late May the IAEA reported Iran had sharply increased its 60 per cent enriched stockpile to over 408 kilograms. On 22 June 2025, during the Twelve-Day War between Israel and Iran, the United States launched Operation Midnight Hammer: B-2 stealth bombers dropped GBU-57 bunker-buster munitions on the Fordow, Natanz, and Isfahan nuclear facilities, while Tomahawk missiles struck supporting infrastructure. A Pentagon assessment in July 2025 estimated the programme had been set back approximately two years, and the IAEA confirmed the near-total destruction of sensitive equipment at Fordow. Iran nonetheless retained its stockpile of enriched uranium and its centrifuge manufacturing knowledge. Following the strikes, Iran's parliament suspended cooperation with the IAEA, the E3 triggered the JCPOA's snapback mechanism in August, and Iran officially terminated the agreement on its scheduled expiry date of October 18<sup>th</sup>, 2025.

Prior to a second round of strikes, Omani Foreign Minister Badr bin Hamad Al Busaidi, lead mediator in indirect US-Iran talks in Vienna, declared that Iran had agreed to never stockpile enriched uranium, to degrade existing stockpiles to fuel grade, and to accept IAEA inspections. On February 27<sup>th</sup>, 2026, however, the IAEA reported that Iran had concealed highly enriched uranium in an underground facility, with the retained stockpile theoretically sufficient for roughly nine nuclear weapons if further enriched to the 90 per cent purity required for a weapon. The United States launched a second round of strikes the following day. Despite two rounds of strikes against Iran's nuclear infrastructure, Iran retains both its enriched uranium stockpile and its centrifuge manufacturing knowledge, leaving its reconstitution potential intact.

## COMPARATIVE THREAT ASSESSMENT

The following table compares the principal vectors likely to shape terrorism risk over the immediate and longer term. Likelihood assessments are qualitative, based on observed activity, assessed intent and capability from official sources, and current escalation dynamics.

TABLE 3

## Comparative threat-vector assessment, 0–6 months

The most likely near-term outcome is sustained, region-wide destabilisation

Threat vector	Primary actors	Geographic scope	Likelihood (0–6 months)
Proxy attacks on Western forces in Iraq/Syria	IRGC-enabled Iraqi militias (IRI umbrella)	Iraq, Syria, regional US posture	High
Hezbollah escalation vs Israel and Western bases	Hezbollah (incl. IJO/Unit 910), enabled by Iran	Israel, Lebanon, Cyprus, global	High (regional) / Medium (beyond Levant)
Maritime/Red Sea and Gulf disruption	Houthis; IRGC-QF enabling; Hezbollah training	Red Sea, Bab al-Mandeb, Gulf	High
Covert assassination/kidnapping in Western states	IRGC-QF, MOIS, criminal proxies, Hezbollah	US, UK, EU, Australia	Medium–High (plots) / Medium (successful attacks)
Cyber disruption and espionage	Government-affiliated cyber actors; hacktivists	Global (critical infrastructure)	Medium to High
ISIS exploitation of security vacuums	ISIS networks in Iraq/Syria	Iraq, Syria; European inspiration	Medium to High
Lone-actor violence in the West	Individuals; ideologically diverse extremists	US, EU, UK, Australia	High

Source: ODNI, NCTC, DHS, MI5, Europol, IEP calculations

## Scenarios and Outlook

The US administration initially projected that the war would last four to five weeks.<sup>47</sup> However, as the Iranian government is fighting for survival, a much longer war seems likely. Their proxy networks span four countries, suggesting the conditions for prolonged instability and elevated terrorism risk are firmly in place. Additionally, with no potential checks on Israel, it is likely to adopt similar tactics as has occurred in Lebanon and Gaza after truces have been reached with continued attacks on what it perceives as threats.

The absence of a credible successor framework is a concern, and history offers a clear warning. The dissolution of Iraqi state structures in 2003 produced not stability but a decade-long insurgency that resulted in a total cost of \$3 trillion from 2003 to 2023,<sup>48</sup> far more than the initial campaign. The following scenarios reflect the realistic range of post-regime trajectories, from the most favourable to the most dangerous.

### RAPID FALL OF THE REGIME AND MANAGED TRANSITION

The most optimistic outcome requires regime collapse and the rapid emergence of a credible alternative authority with genuine political traction inside Iran. The protest movements of recent years, highlighted by the bloody unrest of December 2025–January 2026, clearly indicate that younger, more urban Iranians are in favour of a change in government. However, whether this equates to a broader movement within the rural areas of Iran remains to be seen.

The Iranian diaspora, concentrated in the United States, Canada, Europe and Australia contains the technical and administrative capacity to staff transitional institutions. Crown Prince Reza

Pahlavi has emerged as the most internationally visible figure within the diaspora opposition and has engaged consistently with Western governments in advocating for a secular democratic Iran. However, the extent of his support within Iran itself is contested among analysts, and the 2025 protest movements did not coalesce visibly around any external leadership figure. The legacy of his father's government, which was overthrown in the 1979 revolution following widespread popular opposition, also remains a complicating factor in assessments of his domestic political prospects.

Should an armed resistance movement operate under a coherent political framework, and should the United States, Israel, and European partners extend early recognition to that framework, a transitional authority could in principle be established before competing factions become fully entrenched. However, the historical record of externally recognised opposition figures translating diaspora standing into domestic political authority is limited, and under this scenario it would be difficult to envisage a successful transition without sustained foreign backing, most likely including a ground presence.

The Islamic Republic of Iran Army Ground Forces are a separate entity from the IRGC and have been largely sidelined throughout the conflict, remaining relatively intact. As the national army, with approximately 350,000 active personnel and additional conscripts, the Ground Forces have comparatively less ideological alignment with the regime than the IRGC. This means they could play a significant stabilising role in the event of a sudden regime collapse. It is notable that the US and Israel have targeted Iran's air force and navy but not the army ground forces.

Overall, for this scenario to be successful, serious political preparation must precede military action, not follow it. The

window between regime collapse and the rise of armed alternatives is historically narrow, often days rather than weeks or months. Therefore, the likelihood of this outcome appears slim.

#### **NEGOTIATED SURRENDER BY PRAGMATIST FACTIONS**

Not all elements of the regime share the Supreme Leader's ideological commitments with equal conviction. The IRGC is not a monolithic institution. Its senior commanders have accumulated substantial business interests through the IRGC's economic interest, and families with assets have rational incentives to seek accommodation rather than martyrdom. Under sufficient diplomatic engagement, pragmatist political and military figures could signal a willingness to negotiate, offering to abandon the nuclear program and cease regional proxy operations in exchange for guarantees of personal and institutional survival. Whether they could credibly deliver the broader IRGC officer corps is uncertain, but the precedent of states trading ideological positions for regime continuity is well established.

This outcome would not produce a democratic transition, and it would leave intact much of the institutional infrastructure that has generated regional instability. It could achieve core American objectives in short to mid-term without requiring the United States to manage the consequences of full state collapse.

#### **REGIME COLLAPSE FOLLOWED BY IRGC INSURGENCY**

A more dangerous trajectory begins with the same premise as the first scenario but diverges at the critical juncture of how the IRGC responds to defeat. Even significantly degraded in its conventional capacity, the IRGC retains the organisational depth, weapons stockpiles, financial reserves, and ideological motivation to wage a sustained irregular campaign against any successor

government and its foreign backers. Iran's mountainous northwest, vast desert interior, and long borders with Iraq, Afghanistan and Pakistan provide terrain well suited to insurgent operations. The IRGC has trained, supplied, and commanded irregular forces across multiple theatres. Turning those skills inward would not be a significant adaptation.

A nascent government attempting to build state institutions from scratch while simultaneously managing an active insurgency would require sustained American logistical, intelligence, and security support to survive. Given Washington's demonstrated reluctance to commit to open-ended stabilisation missions, and its complete absence of ground forces in any contemplated Iran scenario so far, the gap between what a successor government would need, and what the United States would provide, represents one of the gravest structural vulnerabilities in the regime-change calculus. It would be likely that a resurgent IRGC returns to government as the Taliban has done in Afghanistan.

#### **ETHNO-SECTARIAN FRAGMENTATION**

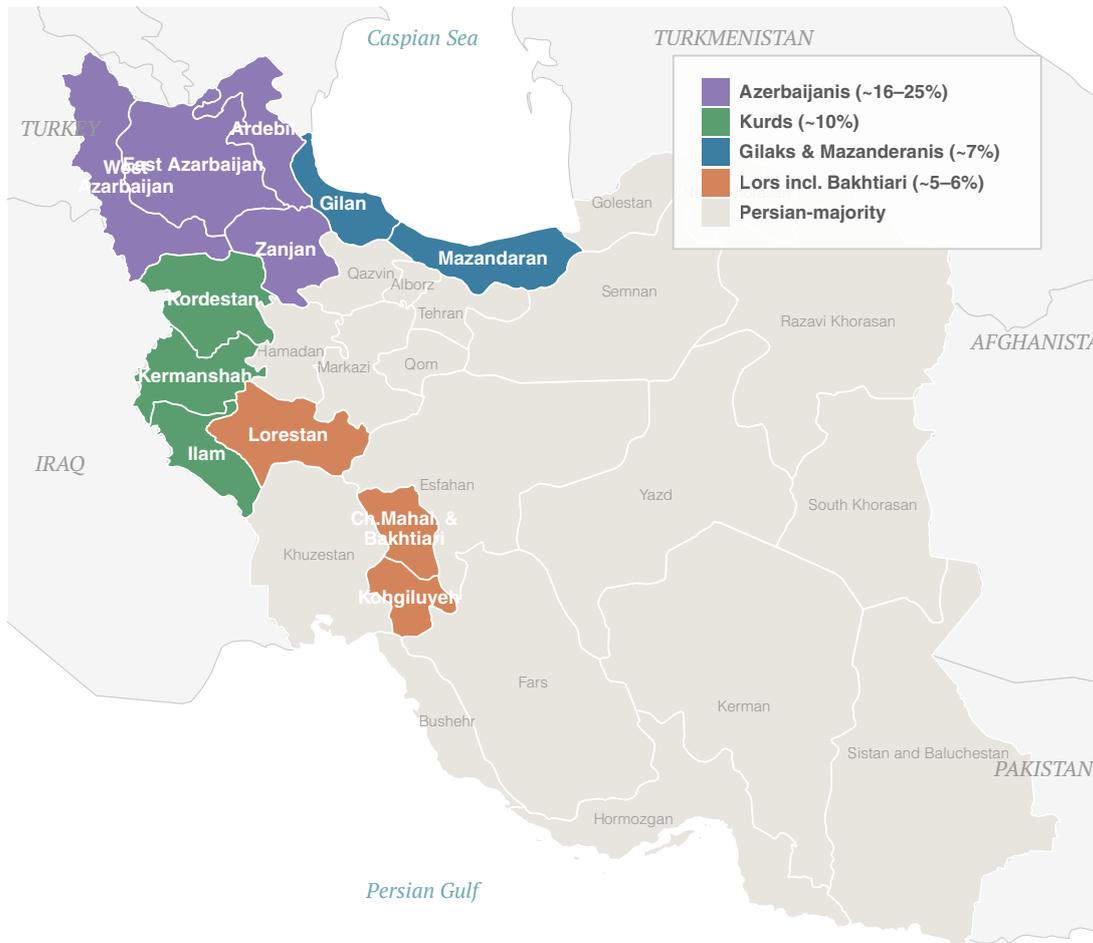
The Islamic Republic has managed Iran's ethnic diversity through suppression, which is a continuation of the policies used under the Shah. This has resulted in an accumulation of underlying tensions that given the right circumstances could erupt.

An estimated 35 to 50 per cent of Iran's population is not Persian. The country does not have an official census of the population numbers, therefore educated estimates are used. The four largest minorities in Iran are Azerbaijanis at roughly 20 per cent of the population, Kurds at 10 per cent, Gilaks and Mazanderanis at seven per cent and Lors at five per cent. Figure 7 shows the areas in Iran where ethnic minority groups are more than 50 per cent of the population.

FIGURE 7

## Iranian provinces where ethnic minority groups are a majority

Most minority ethnic groups in Iran are concentrated in the north-west.



Sources: Minority Rights Group; Britannica; Library of Congress. Map data: Natural Earth.

Kurdish political and paramilitary organisations have maintained their culture for decades, despite persistent repression, and may move towards secession in a power vacuum. The US recently courted them to see if they would challenge the regime. However, at the time of writing, they have not become active.

Baloch communities in the southeast, close to the Pakistani border, make up two per cent of the population and are predominantly Sunni and economically marginalised. Baloch terror organisations in Pakistan have been increasingly active in Pakistan's Balochistan region. Iranian Baloch groups have in the past two years launched attacks on IRGC and police resulting in at least 15 fatalities. Without the state's security umbrella, those movements may expand in scale and ambition combining with Pakistan-based organisations like the Balochistan Liberation Army.

Azerbaijani communities in the northwest, geographically adjacent to the Republic of Azerbaijan and Türkiye, could face intensifying irredentist pressure. Iran's war posture has already spilled into the South Caucasus: on 5 March 2026, drones launched from Iranian territory struck Nakhchivan International Airport and the village of Shakarabad, injuring four civilians.

President Aliyev described the strikes as an act of terror and placed Azerbaijan's military on full combat readiness. Iran denied responsibility, attributing the incident to a third party, but the attack underscored longstanding tensions over the US-brokered Zangezur transit corridor connecting Azerbaijan to its Nakhchivan exclave, which Tehran has opposed as a strategic threat to its influence in the South Caucasus.

The incident raises the prospect that an extended Iran war could activate dormant ethno-territorial pressures along Iran's northern periphery, particularly if Azerbaijan perceives Iranian state capacity as sufficiently degraded to shift the balance of leverage over disputed corridor arrangements.

Arab populations in oil-rich Khuzestan harbour their own longstanding grievances. Regional powers with competing interests, Türkiye, Gulf states, and potentially Russia, would each find client factions to support. The resulting proxy competition could sustain fragmented conflict for years and foreclose any prospect of a unified successor state. The parallels with post-2011 Syria or Libya are instructive, though Iran's scale, population, and strategic weight could make the consequences considerably more severe.

## MOST LIKELY OUTCOME

Across every scenario, the same structural deficit recurs. There is no military solution to the governance vacuum that regime change would produce. The United States currently is not signalling political will to provide boots on the ground or administer post-conflict Iran, and no proxy government can consolidate power without sustained external support and domestic legitimacy. The IRGC's capacity to wage counter-revolution, whether as an organised insurgency or as fragmented armed cells embedded in the civilian population, ensures that any military campaign is unlikely to end the influence of IRGC.

However, a much-weakened Iran with proxy agents supported by external powers is a distinct possibility. This would result in an extended conflict, likely to last for many years and destabilising surrounding countries, including Iraq. Iran's border with Afghanistan and Pakistan could become a haven for militias that employ terrorist tactics, with both countries engaged in fighting cross-border terrorist organisations.

If Iran loses territorial integrity, then the prospect of terrorism expanding within Iran, its neighbouring countries and beyond to the West becomes more distinct.

Additionally, conflict would also result in major flows of refugees and high numbers of civilian casualties. Military success in the narrow operational sense could produce strategic consequences considerably more damaging than the past status quo.

## Major Uncertainties

The analysis above rests on several key uncertainties that materially affect likelihood outcomes. The conflict is highly dynamic and early reporting is incomplete. US Central Command has described strikes and defensive actions, but public accounts of Iranian command disruption and leadership outcomes vary across reporting streams.<sup>49</sup> Attribution and deniability will remain a central challenge. UK and Australian reporting emphasise Iranian use of criminal proxies and cut-outs, deliberately obscuring command responsibility.

Hezbollah's external operations posture is under extreme stress, and its future posture is uncertain. The NCTC assesses that Hezbollah's capabilities were degraded in 2023–24 and resupply has been constrained by Syrian regime change. Degradation might reduce kinetic capacity but increase incentives for overseas coercive operations. The ISIS trajectory depends on levels of regional instability and the tempo of counter-terrorism operations. UN reporting indicates that conditions that enable ISIS resurgence exist, but whether this translates into rapid threat escalation depends on local security capacity at a time of regional distraction. Cyber escalation thresholds are difficult to predict, with official guidance noting elevated risk but at the time of writing the risks have not eventuated.

## US Domestic Political Impact

The future impact of the Iran war on US politics will be dependent on many factors such as length of time it takes to resolve the conflict, the impact on the US economy, the loss of

American lives, media perceptions of the conflict and varying levels of support from different political groups in the US.

Early polling of US citizens finds that most Americans are not happy with the handling of the war. Future support will likely decline the longer the conflict lasts.

Various polls show that support for Trump's presidency ranges between 35 and 44 per cent, similar to approval ratings of the Biden administration.

Seventeen national polls were conducted in the war's first 11 days with most showing similar results. The Quinnipiac University poll, March 6–8, provided a detailed picture:

- 37 per cent overall approval of the war, while 53 per cent opposed military action,
- Voting was split along party lines with the majority of Republicans supporting the war, while the majority of Democrats and independents opposed it.
- 74 per cent opposed using ground troops, this also included 52 per cent of Republicans.
- The poll also recorded a 58 per cent disapproval rate for the handling of the economy.

The NPR/PBS/Marist poll found a 36 per cent approval of the Iran war, down six points from the 42 per cent recorded after the Soleimani strike in January 2020. Independent voters disapproval rates were high at 59–69 per cent across all surveys.

These figures represent a historic departure from prior wars where the President's personal ratings improved immediately after the start of war:

- President Franklin D. Roosevelt saw a 12-point rally after Pearl Harbor, rising from 72 per cent to 84 per cent.<sup>50</sup>
- George H.W. Bush surged 25 points at the start of the Gulf War, from 64 per cent to 89 per cent.<sup>51</sup>
- George W. Bush gained 39 points after 9/11, rising from 51 per cent to 90 per cent, and 13 points at the Iraq War's onset, from 58 per cent to 71 per cent.<sup>52</sup>

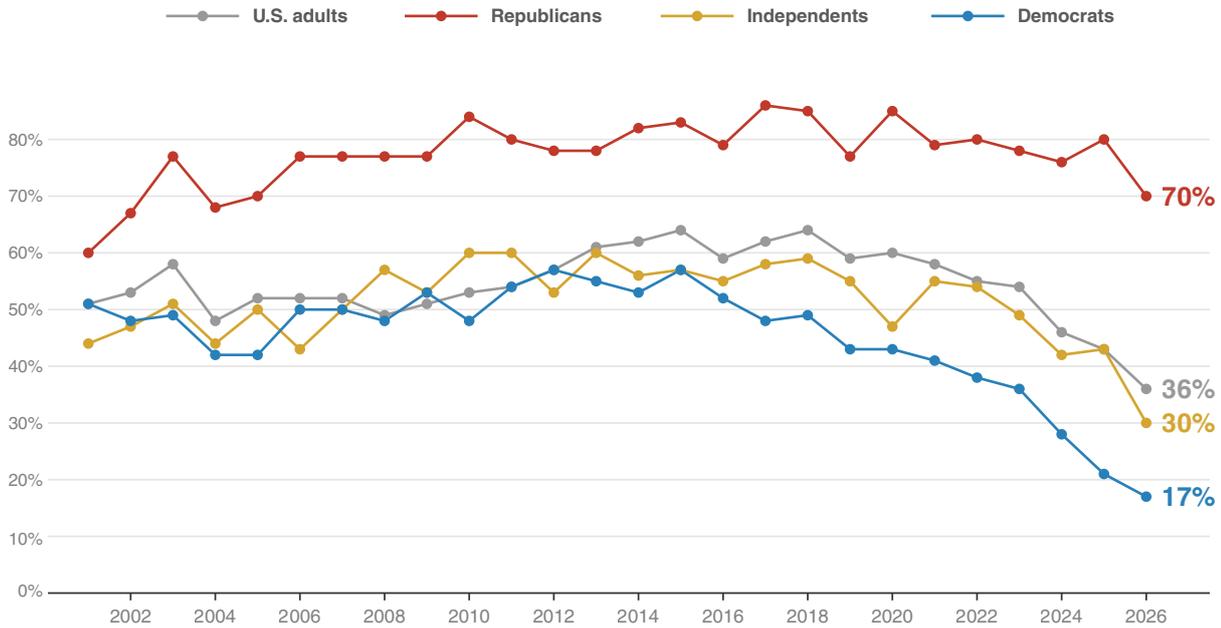
Republican support has fallen from 69 per cent during the June 2025 strikes to 55 per cent in the most recent Reuters/Ipsos poll. Critically, 42 per cent of Republicans told Reuters/Ipsos they would shift toward opposition to the war if US troops were killed, and a further 34 per cent if fuel prices rose further. With mid-term elections in October, and economic pressures unlikely to have abated by then, the war is set to become a significant electoral theme. Reduced Republican support for the war risks suppressing Republican turnout, while opposition sentiment may increase Democratic turnout.

A broader shift in public attitudes towards the ongoing conflicts in the Middle East is also apparent, as Figure 8 shows. The Quinnipiac poll found that 44 per cent of Americans believe the US is too supportive of Israel, the highest figure ever recorded for that question and an increase of 17 percentage points since late 2023. The poll shows a ten-point decline even among Republicans. This does not, however, reflect a wholesale withdrawal of support for Israel.

FIGURE 8

## Support for Israel by political party in the US, 2001–2026

The percentage of US adults who say their sympathies are more with the Israelis has fallen from over 50 per cent to 36 per cent.



Source: Gallup

A Pew Research Center poll from late 2025 found that 56 per cent of Americans hold a positive view of Israelis. The more accurate reading is that growing numbers of Americans, particularly Democrats and Independents, favour greater restraint in US policy toward Israel, especially regarding Gaza and the West Bank, while support for the Israeli state itself remains broadly intact.

## The Oil Price Transmission Mechanism

Historically, the relationship between gasoline prices and presidential approval is statistically significant but modest: a 10-cent increase correlated with 0.6 per cent decreased in approval ratings.<sup>53</sup> However, Sabato’s Crystal Ball analysis found this correlation has weakened dramatically in recent years, largely because polarisation compresses approval bands. The question is whether the 2026 shock is large and attributable enough to create an impact on Presidential approval ratings.

Oil prices have remained in the \$70-\$85 range for Brent crude other than the spike experienced after the Russian invasion of Ukraine, when the price rose to nearly \$100 a barrel. It took seven months before the price dropped back to below \$80.

The inflationary and economic impact of the current war will depend on the length of the war and its impact on oil shipments and supply. If the duration is short and the supply increases, then the inflationary shock may not be too great.

The oil shock precipitated by Russia’s invasion of Ukraine in February 2022 is well documented for its impact on inflation. At the end of 2021, US inflation was seven per cent, increasing to nine per cent by the end of 2022. In the EU the increase was more pronounced rising from 2.6 per cent to 8.4 per cent. However, the war did have other impacts on European inflation beyond oil due to its dependence on Russian gas and agricultural imports from the Ukraine. Additionally, the US is self-sufficient in oil.

Goldman Sachs has estimated that if the war was to stop within a couple of days, Brent crude would drop by \$10-\$14 a barrel immediately, while it would take longer, probably three months to fall back to the pre-Iranian war price as damaged infrastructure would need to be fixed, suppliers ramp back up to normal, shipping to get back to normal and stockpiles rebuilt.

If the Strait of Hormuz stayed closed for three months or more, the impact on the global economy and inflation would be substantial. Some of the factors would be:

- Rising risk premiums
- Market fear of structural shortages
- Depletion of strategic reserves
- Insurance costs for rerouted or delayed shipping
- Repricing of long-term supply-security risk

If the Strait of Hormuz does not open in the next few weeks, Brent crude oil could reach \$150 per barrel, with some analysts saying it could rise to \$200 a barrel.<sup>54</sup> Whether this comes to pass will depend on whether US warships accompanying oil tankers can supply enough oil.

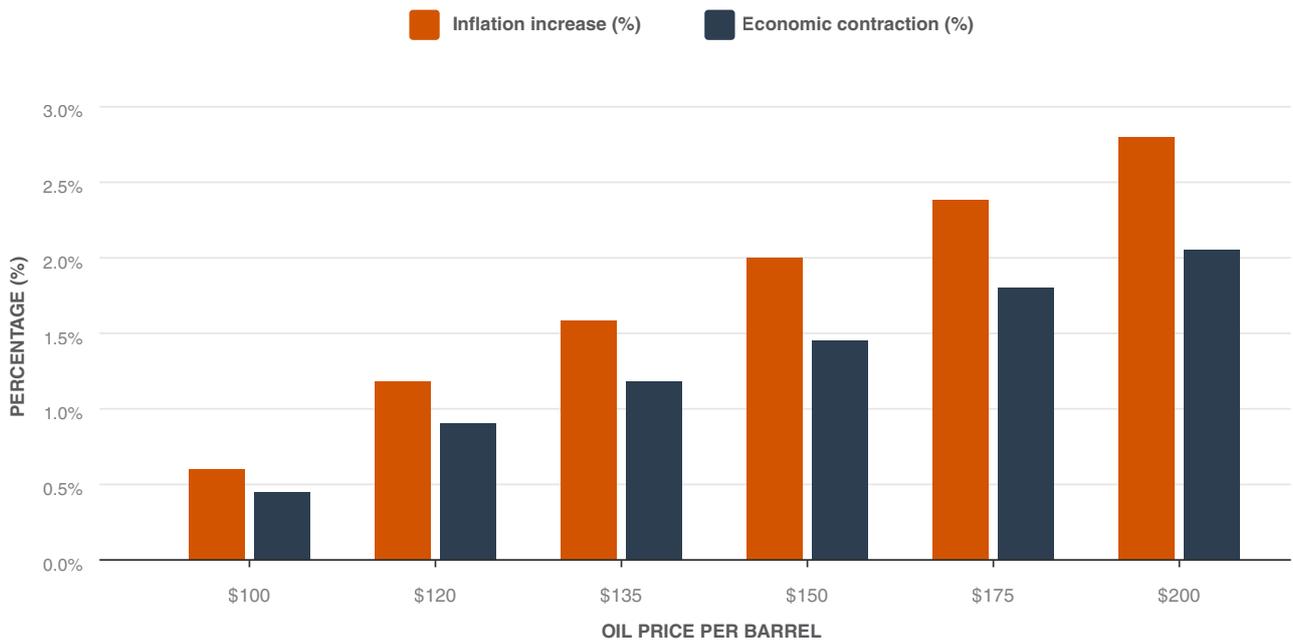
Calculating the impact of a sustained increase in oil prices on inflation and the economy can be tricky but one rule of thumb calculation is that for every five per cent increase in the price of oil, inflation increases by 0.1 per cent.<sup>55</sup> The IMF also estimates that for every 10 per cent increase in oil prices, the global economy contracts by 0.1 to 0.2 per cent. At a starting price of \$75 per barrel, sustained higher prices for oil will be very negative for both inflation and economic growth, as shown in Figure 9.

The world's economic prospects for 2026 are already subdued. For example, prior to the current crisis, EU growth estimated by the European Central Bank was expected to be 1.2 per cent. In this case, the flow-on effects of prolonged conflict in Iran for the global economy would be substantial.

FIGURE 9

### Economic impact of increase in oil prices

Oil prices above \$100 per barrel would significantly affect inflation and suppress economic growth.



Source: IMF

# Endnotes

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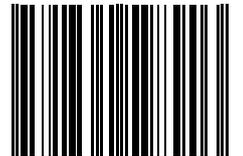
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