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Executive Assessment

The conflict has entered a structurally paradoxical phase in which de-escalation rhetoric and systemic escalation are unfolding simultaneously.

On one level, Washington is actively signaling a near-term exit. President Trump has stated that the United States will "leave very soon" and that the war could conclude within "two to three weeks," framing the campaign as approaching completion regardless of a negotiated settlement. On another level, however, the underlying system of conflict is intensifying. Iran continues missile launches across the region, maritime attacks persist, and infrastructure strikes are expanding into logistics and energy nodes. This produces a structural mismatch: the military campaign may end, but the disruption architecture will not.

The central variable governing this contradiction is the Strait of Hormuz. Trump's explicit condition—he will consider a ceasefire only when the strait is "open, free, and clear"—transforms maritime access into the primary political lever of the war. At the same time, the U.S. is signaling that it may withdraw responsibility for securing Hormuz altogether, effectively externalizing the core risk of the conflict to global markets and allied states. The implication is clear: The war is transitioning from a kinetic conflict into a structural global disruption regime.

Security and War Developments

The military domain is now defined by asymmetric continuity under a nominal de-escalation trajectory. Despite U.S. signaling of withdrawal, operational tempo remains high. Iran has continued launching projectiles at Israel and Gulf states, while Israeli forces have conducted strikes on regime infrastructure in Tehran and leadership targets across the region.

The conflict is expanding horizontally. Israeli operations in Lebanon have eliminated senior Hezbollah leadership figures, indicating that secondary fronts are being actively shaped rather than contained. Simultaneously, Iran is deepening its regional strike architecture. Drone and missile attacks have targeted fuel depots at Kuwait's international airport, causing large fires and demonstrating the prioritization of energy logistics disruption over symbolic military targets.

Maritime attacks continue to reinforce this pattern. A UAE-owned tanker chartered by Qatar Energy was struck near Ras Laffan, with damage above the waterline and at least 22 vessels reported hit since the beginning of the war. This indicates that Iran is systematically targeting energy transport infrastructure as a strategic center of gravity.

At the same time, the U.S. is reinforcing presence even while signaling exit. The deployment of the USS *George H.W. Bush* carrier strike group and additional airborne forces suggests that deterrence layering continues even under a withdrawal narrative.

Military Layer	Current Dynamic	Strategic Meaning
US posture	Wind-down signaling	Political exit strategy
Force deployment	Carrier groups added	Deterrence continuity
Iran strikes	Regional + maritime	Economic warfare
Israel ops	Multi-theater	Conflict expansion
Proxy activity	Houthis active	Strategic depth

The battlefield is no longer decisive; it is instrumental to shaping economic pressure pathways.

Energy System Disruption

Energy disruption is now structurally decoupled from battlefield outcomes and instead anchored in maritime insecurity and political signaling. The rise in U.S. gasoline prices to $4 per gallon reflects the domestic transmission of global disruption, with price pressure persisting despite expectations of a near-term military end.

This highlights a critical point: Ending the war will not normalize energy markets. The primary driver is not supplying destruction, but access instability. Oil continues to flow, but the cost and risk of transporting it through Hormuz are redefining effective supply.

Even partial reopening does not resolve this. Pakistan's receipt of oil shipments following Iran allowing additional vessels through Hormuz demonstrates that flow is selectively restored rather than structurally stabilized. This creates a fragmented supply system where availability is conditional and uneven.

Simultaneously, infrastructure targeting is expanding into downstream systems. Fuel depots, shipping nodes, and logistics hubs are increasingly exposed, amplifying cost transmission.

Energy Variable	Current State	System Impact
Production	Stable	No upstream shortage
Transport	Disrupted	Effective scarcity
Maritime risk	Elevated	Insurance + rerouting
Retail prices	Rising	Inflation transmission
Recovery outlook	Delayed	Structural persistence

Energy is no longer a commodity flow—it is a geopolitical variable actively manipulated within the conflict system.

Hormuz and Maritime Control

The Strait of Hormuz has become the primary strategic hinge of the conflict, replacing territory as the central determinant of outcomes.

Trump's conditional ceasefire framework—linking any deal to the reopening of Hormuz—formalizes this reality. However, the U.S. is simultaneously signaling that it will not assume responsibility for reopening the strait, stating that countries dependent on it should manage the situation themselves. This creates a structural contradiction: Hormuz is the condition for peace, but no actor is fully responsible for securing it.

International responses are beginning to adapt. The UK is preparing to host a summit involving 35 countries aimed at restoring maritime security, indicating that Hormuz governance is shifting toward a multilateral crisis management model.

Meanwhile, Gulf states are maintaining a defensive posture while signaling readiness to support collective efforts to ensure uninterrupted trade flows.

Hormuz Dimension	Current Reality	Strategic Function
Control	Fragmented	No single guarantor
Access	Conditional	Flow uncertainty
Security	Multilateralizing	Governance shift
Economic role	Central	Price formation
Political role	Conditional ceasefire trigger	Conflict regulator

Hormuz is no longer just a chokepoint. It is now a global system regulator controlling both conflict termination and economic stability.

Global Market Transmission

Markets are now reacting not to escalation, but to uncertainty over system resolution. Despite temporary equity rebounds, financial markets have "barely made a dent" in the broader disruption caused by the war, indicating that underlying risk remains structurally embedded. The key driver is policy inconsistency. The U.S. is signaling exit while maintaining pressure, allies are being pushed to assume responsibility, and maritime security remains unresolved. This creates a pricing environment dominated by:

- duration uncertainty
- policy fragmentation
- incomplete de-escalation

At the same time, inflationary pressures are broadening. Political criticism within the U.S. explicitly links the war to rising costs across fuel, food, utilities, and housing, indicating that economic transmission is no longer limited to energy markets.

Market Channel	Transmission Mechanism	Result
Energy	Transport disruption	Price elevation
Logistics	Shipping risk	Cost inflation
Equities	Narrative-driven	Volatility
Households	Cost pass-through	Demand pressure

Markets are now operating within a geopolitical pricing regime, not a cyclical one.

Regional Economic Impact

The economic impact of the conflict is expanding through distributed systemic stress, affecting both producers and consumers.

In the Gulf, economies are caught in a dual exposure dynamic. While higher oil prices generate revenue gains, direct attacks on infrastructure—including tankers and fuel depots—introduce operational risk. The UAE's restrictions on Iranian nationals, including limitations on entry and transit through major airlines, reflect the internalization of security concerns within economic systems.

This is particularly significant given the UAE's role as a major trade hub for Iran, highlighting how geopolitical escalation is beginning to disrupt commercial interdependence structures.

Globally, energy-importing countries face increasing strain, while advanced economies are absorbing inflation shocks. Meanwhile, civilian infrastructure damage inside Iran has reached systemic levels, with more than 115,000 units affected, indicating that domestic economic capacity is being degraded alongside military capabilities.

Region	Exposure Type	Outcome
Gulf	Infrastructure + trade	Dual risk
Iran	Domestic damage	Capacity erosion
West	Inflation	Consumption pressure
Global South	Energy access	Vulnerability

The conflict is producing network-wide economic stress rather than localized damage.

Diplomatic Landscape

Diplomacy is now operating as a fragmented, multi-layered system attempting to manage—not resolve—the conflict. At the core is a fundamental contradiction. The U.S. claims Iran is seeking a ceasefire, while Iranian officials simultaneously state that Washington "isn't serious about diplomacy." This reflects a breakdown in shared negotiation frameworks.

Trump's position further complicates this landscape. He has stated that a deal is not necessary to end the war and that the U.S. may exit unilaterally within weeks. This effectively removes diplomacy as a prerequisite for conflict termination. At the same time, alliance structures are under strain. Trump's repeated characterization of NATO as a "paper tiger" and his

consideration of withdrawal signal a potential rupture in transatlantic security architecture. European and Asian actors are attempting to stabilize the system independently. France and Japan have jointly emphasized the need for ceasefire and safe navigation through Hormuz, while the UK is organizing a multilateral initiative to restore maritime security.

China and Pakistan have introduced a five-point peace framework, positioning themselves as alternative diplomatic anchors. However, these efforts are not converging into a unified process. Instead, they represent parallel diplomatic tracks with limited coordination.

Diplomatic Axis	**Behaviour**	**System Effect**
US	Exit signaling	Strategic vacuum
Iran	Resistance posture	Conflict persistence
NATO	Internal fracture	Alliance weakening
EU/Japan	Stabilization push	Limited leverage
China/Pakistan	Mediation	Alternative framework
UK-led coalition	Maritime focus	Functional diplomacy

Diplomacy is no longer a resolution pathway. It is a layer attempting to stabilize a system that continues to generate disruption internally.

Forward Look (Next 7 Days)

- US will move toward partial disengagement while maintaining deterrence
- Hormuz will remain unstable despite partial reopening attempts
- Iran will continue targeting maritime and energy infrastructure
- Oil prices will remain elevated even under de-escalation narrative
- Alliance tensions (especially NATO) will intensify
- Multilateral maritime security efforts will accelerate
- Markets will remain volatile and narrative-sensitive
- Regional spillover risk (Lebanon, Gulf) will increase
- Energy inflation will continue feeding into broader economic systems
- Diplomatic activity will increase without producing immediate structural resolution