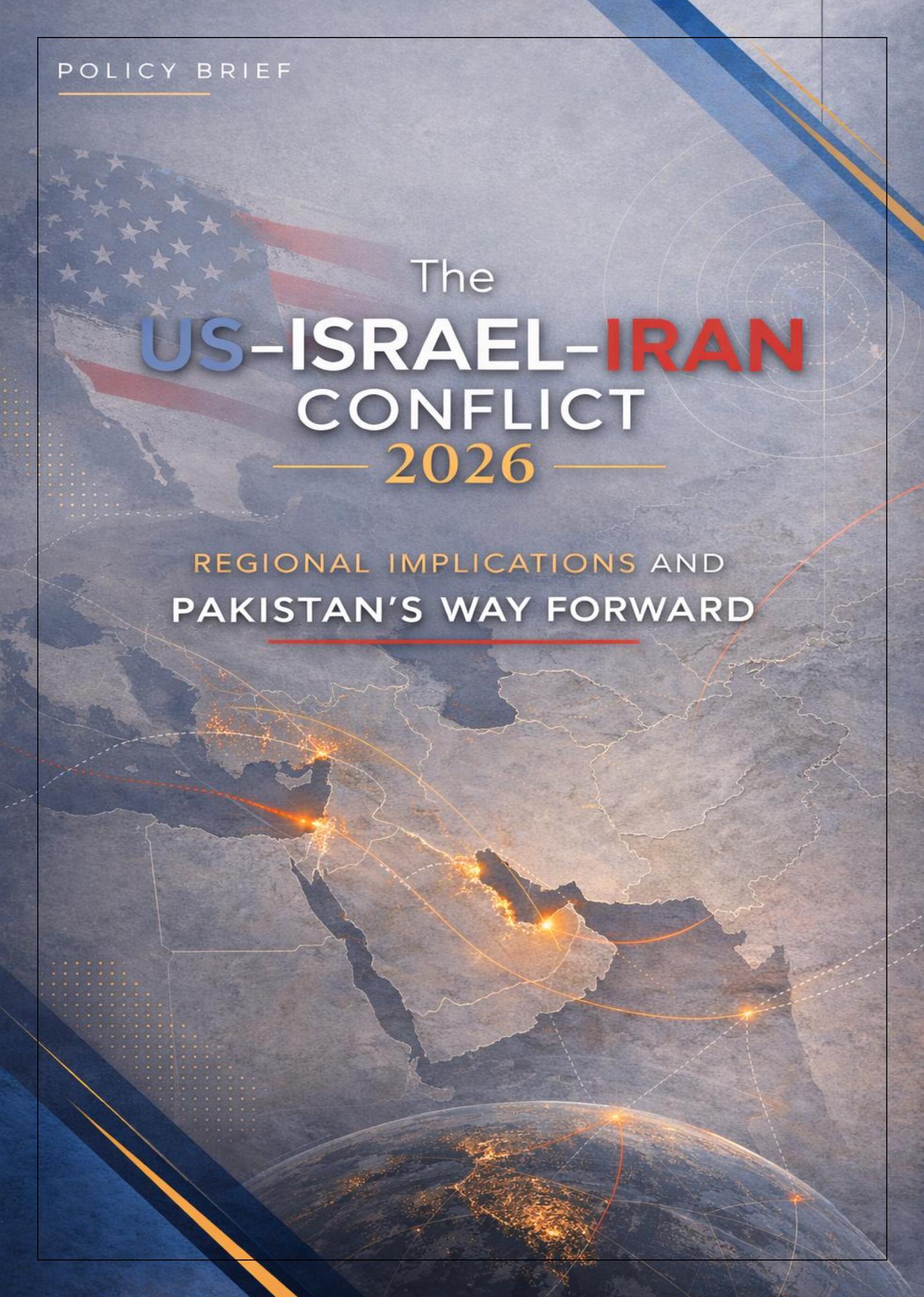


POLICY BRIEF

The
US-ISRAEL-IRAN
CONFLICT
— 2026 —

REGIONAL IMPLICATIONS AND
PAKISTAN'S WAY FORWARD





POLICY BRIEF- March 2026

The US-Israel-Iran Conflict 2026: Regional Implications and Pakistan's Way Forward

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Executive Summary

On February 28, 2026, the United States (US) and Israel launched coordinated military strikes against Iran, assassinating Supreme Leader Ayatollah Ali Khamenei, degrading the country's nuclear and military infrastructure, and triggering the most consequential interstate armed confrontation in the Middle East since the Gulf War of 1991.¹ In response, Tehran conducted missile and drone attacks against US military installations across the Gulf region, Lebanon, Iraq, Jordan, and Cyprus.² Iran formally declared the closure of the Strait of Hormuz³, a key maritime chokepoint through which approximately 20 percent of globally traded oil transits daily.⁴

This brief argues three core propositions. First, the strikes represent a war of strategic choice rather than necessity: diplomatic talks were ongoing and Iran had signalled significant concessions when Washington chose to escalate. Second, the war has generated geopolitical, geo-economic, and geo-social shockwaves that directly threaten Pakistan's security environment

and economic stability. Third, Pakistan must respond through a principled, law-centered, and diplomatically active stance that safeguards national interests while preserving strategic autonomy.

Background

The US-Israeli strikes on Iran are the product of over four decades of structural antagonism, rooted back in the 1979 Iranian Revolution, the collapse of the Joint Comprehensive Plan of Action (JCPOA) following the US withdrawal in 2018, and a sustained maximum-pressure campaign that progressively narrowed diplomatic space. By early 2026, the regional position of Iran had weakened considerably: Hamas and Hezbollah's military capacities were significantly degraded, Bashar al-Assad had fallen in Syria, and domestic protests, fueled by economic decline, had been suppressed by force.⁵

Yet Tehran was not diplomatically disengaged. Indirect US-Iran nuclear talks were held in Muscat on February 6 and Geneva on February 26, 2026, which were

¹ Joe Gambrell, Konstantin Toropin, and Aamer Madhani, 'US and Israel Launch a Major Attack on Iran, Trump Says Supreme Leader Khamenei Killed,' *Associated Press*, February 28, 2026, <https://apnews.com>; House of Commons Library, *US-Israel Strikes on Iran: February/March 2026* (London: House of Commons Library, March 2026), <https://commonslibrary.parliament.uk/research-briefings/cbp-10521/>

² Nils Adler et al., 'Iran Declares 40 Days of Mourning and Launches Attacks after Supreme Leader's Killing,' *Al Jazeera*, February 28, 2026, <https://www.aljazeera.com/news/liveblog/2026/2/28/live-israel-launches-attacks-on-iran-multiple-explosions-heard-in-tehran>

³ Megha Bahree, 'Shutdown of Hormuz Strait Raises Fears of Soaring Oil Prices,' *Al Jazeera*, March 3, 2026, <https://www.aljazeera.com/economy/2026/3/3/shut-down-of-hormuz-strait-raises-fears-of-soaring-oil-prices>; "Iran Claims Hormuz Strait Is Closed, Threatens to Set Shipping There 'Ablaze,'" *Times of Israel*, March 3, 2026, <https://www.timesofisrael.com/iran-claims-hormuz-strait-is-closed-threatens-to-set-shipping-there-ablaze/>.

⁴ US Energy Information Administration, cited in 'How US-Israel Attacks on Iran Threaten the Strait of Hormuz, Oil Markets,' *Al Jazeera*, March 1, 2026, <https://www.aljazeera.com/news/2026/3/1/how-us-israel-attacks-on-iran-threaten-the-strait-of-hormuz-oil-markets>.

⁵ House of Commons Library, *US-Israel Strikes on Iran: February/March 2026*

mediated by Oman.⁶ The Omani Foreign Minister publicly stated that a deal was ‘within reach’ and that Iran had agreed to never stockpile nuclear material for a bomb.⁷ On February 20, 2026, President Trump issued a ten-day ultimatum; on February 24, he labelled Iran the world’s leading state sponsor of terrorism.⁸ Four days later, the strikes began.

The Pentagon briefings to Congress indicated that US intelligence possessed no evidence Iran was planning to attack American forces, the stated *casus belli*.⁹ This gap between stated justification and available intelligence supports the conclusion that Washington chose military escalation as an instrument of strategic transformation, specifically, regime change, rather than responding to an imminent threat. Yet this objective rests on a flawed premise. The Iranian state is not a personalist system vulnerable to decapitation. Built around the doctrine of *Velayat-e Faqih* and protected by the IRGC, a sprawling military-economic-security apparatus with deep organizational roots, the system has already demonstrated institutional continuity: a three-person leadership council comprising moderate President Pezeshkian, judiciary chief Mohseni Ejei, and senior cleric Ayatullah Arafī has assumed governance authority.¹⁰ Historical precedents from Iraq to Libya confirm that destroying a state’s leadership

produces not a stable transition but a protracted insurgency and humanitarian catastrophe.

1. Geopolitical Dynamics

• *Regional Security Transformation*

The events of February 28, 2026 have ended the era of ‘managed escalation’ in the Middle East, the framework of covert actions, proxy engagements, and calibrated signaling that contained direct interstate confrontation for decades. In its place stands overt war, with profound implications for regional order.

US-Israeli operations reflect a targeting doctrine designed for comprehensive strategic degradation: command-and-control nodes, air defense systems, missiles, and IRGC infrastructure. The response of Iran has been multidimensional, including combining ballistic missile and drone strikes on Gulf bases, maritime pressure through the Hormuz closure, and activation of aligned networks in Lebanon and Iraq by widening the geographic scope of the conflict and forcing adversaries to manage simultaneous pressures across multiple theaters.

The conflict has significantly increased the security exposure of Gulf states, whose important infrastructure and economic assets have been drawn into the crisis. The UAE air defense forces reportedly

⁶ US-Iran Nuclear Talks Conclude in Oman, with Another Round Said Planned for Coming Days,” *Times of Israel*, February 6, 2026, <https://www.timesofisrael.com/us-iran-nuclear-talks-conclude-in-oman-with-another-round-said-planned-for-coming-days/>; Xinhua, “3rd Round of Indirect Iran-U.S. Nuclear Talks Begins in Geneva,” February 26, 2026, <https://english.news.cn/20260226/7bab330c0def4e729bccd79a6cb223a8/c.html>.

⁷ “Peace ‘Within Reach’ as Iran Agrees No Nuclear Material Stockpile: Oman FM,” *Al Jazeera*, February 28, 2026, <https://www.aljazeera.com/news/2026/2/28/peace-within-reach-as-iran-agrees-no-nuclear-material-stockpile-oman-fm>.

⁸ House of Commons Library, *US-Israel Strikes on Iran: February/March 2026*.

⁹ *ibid*

¹⁰ Gambrell, Toropin, and Madhani, “U.S. and Israel Launch a Major Attack on Iran.”

intercepted over 165 ballistic missiles, 2 cruise missiles, and 541 Iranian drones in a single engagement,¹¹ signifying both Iranian reach and the vulnerability of energy export terminals, desalination facilities, and airbases. This dynamic simultaneously deepens Gulf dependence on US-enabled defense architectures while exposing their limits. Diplomatically, compliance-centered nuclear engagement has been displaced by coercive bargaining under conditions of destruction, raising the risk that pre-emptive strike doctrines gain broader normative acceptance across the region.

- ***Extra-Regional Positioning***

Russia condemned the strikes as ‘unprovoked armed aggression’ but will almost certainly limit its response to rhetoric.¹² Despite the Strategic Partnership Treaty with Iran that entered into force in October 2025, Moscow’s bandwidth is constrained by Ukraine, and its pattern of standing aside as regional partners fall signals that verbal solidarity will not translate into operational intervention. Russia will, however, leverage the crisis to sustain its narrative of US imperial overreach.

Chinese stakes are more consequential. Iran is a Belt and Road partner, and the Hormuz closure directly threatens Chinese energy security. Beijing imports approximately 40 percent of its crude from the Persian Gulf.¹³ China possesses both the incentive and the diplomatic capital, as demonstrated by its

brokerage of Saudi-Iran normalization in 2023, to play an indispensable role in any eventual settlement. Turkey occupies another pivotal position: a NATO member with independent relations with both Iran and Israel. Ankara will resist operational alignment with Washington while seeking to position itself as a diplomatic broker, a role Pakistan should engage constructively.

Moreover, European governments have broadly aligned with Washington’s strategic framing. However, Spain was notable as the only European government to condemn the initial strikes outright, while the UK and France directed their condemnations at Iranian counter-strikes.¹⁴ The capacity of Europe to independently influence battlefield dynamics remains severely constrained; the result is political alignment without proportional leverage. Globally, the overt use of pre-emptive force against a sovereign state’s leadership, absent UN Security Council authorization, carries significant normative implications. If tolerated without meaningful multilateral consequence, it may lower the threshold for similar actions by other states, contributing to the broader fragmentation of the rules-based international order.

2. Geo-Economic Implications: The Hormuz Fault Line

The escalation has transformed the Strait of Hormuz from a perennial risk variable into an active geo-economic fault line with immediate global consequences. Approximately 20 percent of globally

¹¹ Adler et al., “Iran Declares 40 Days of Mourning.”

¹² House of Commons Library, *US-Israel Strikes on Iran: February/March 2026*.

¹³ Chatham House, “China Is Playing the Long Game over Iran,” February 27, 2026, cited in

House of Commons Library, *US-Israel Strikes on Iran: February/March 2026*.

¹⁴ House of Commons Library, *US-Israel Strikes on Iran: February/March 2026*.

traded oil, 25–30 percent of seaborne crude, and close to one-fifth of global LNG trade transits this corridor daily, between 15 and 20 million barrels, alongside substantial Qatari LNG exports.¹⁵ Effective disruption or closure, therefore constitutes a material supply shock, not a speculative price reaction.

Alternative export infrastructure offers only partial mitigation. The East-West pipeline of Saudi Arabia and the Habshan-Fujairah corridor off UAE provide limited bypass capacity; Qatar's LNG exports remain structurally dependent on Hormuz. Even operating all alternative routes at maximum throughput, less than half of the typical volume of the Hormoz can be redirected. Production increases by OPEC+ members cannot offset constraints if maritime delivery routes remain insecure and supply without transportation does not stabilize markets.

Energy markets have responded accordingly. Oil benchmarks have surged sharply, and if disruption persists beyond several weeks, crude prices could breach \$100 per barrel and move significantly higher. Qatar has suspended LNG production and supply, generating immediate gas price pressures across Europe.¹⁶ War-risk insurance premiums have spiked dramatically, some underwriters have withdrawn Gulf coverage entirely, freight rates have escalated, and vessels are rerouting via the Cape of Good Hope, translating security instability directly into higher global trade

costs. Reported damage to Saudi Aramco's Ras Tanura facility signals horizontal escalation to strategic export infrastructure, amplifying market fragility and systemic risk.¹⁷

The macroeconomic transmission channels are broad and interconnected. Rising crude prices elevate fertilizer and food prices, increase household energy bills, and raise global shipping costs by generating inflationary spillovers well beyond hydrocarbons. For energy-importing economies, central banks must balance inflation control against growth stabilization, while governments may resort to fuel subsidies or strategic reserve releases, placing additional strain on fiscal balances and external accounts.

Pakistan's susceptibility to the economic consequences of the conflict is neither incidental nor superficial; it is structurally embedded in the country's pattern of energy dependence and economic integration with the Gulf region. The country is heavily dependent on imported fuel, and any sustained oil price spike will directly expand the import bill and fuel domestic inflation, directly threatening the hard-won stabilization achieved under the IMF program.

The remittance dimension is equally serious. Pakistan recorded a record \$38.3 billion in remittance inflows in FY2025, a figure central to achieving the country's first current account surplus in fourteen years.¹⁸ Saudi Arabia contributed \$9.3

¹⁵ US Energy Information Administration, cited in Bahree, "Shutdown of Hormuz Strait Raises Fears of Soaring Oil Prices."

¹⁶ Bahree, "Shutdown of Hormuz Strait Raises Fears of Soaring Oil Prices."

¹⁷ Adler et al., "Iran Declares 40 Days of Mourning."

¹⁸ "Saudi Arabia Leads Pakistan's August Worker Remittances as Inflows Hit \$3.1 Billion," *Arab News*, September 8, 2025, <https://www.arabnews.com/node/2614555/pakistan>.

billion and the UAE \$7.9 billion, together nearly half of all inflows.¹⁹ Millions of Pakistani workers deployed across Gulf states face safety risks and employment uncertainty. Any significant disruption to Gulf labor markets would remove a critical pillar of Pakistan's external account stability, compounding the oil price shock. The Pakistani business community has already flagged that flight suspensions and shipping disruptions are creating immediate uncertainty for exporters and importers, threatening to raise the cost of doing business precisely when the economy can least afford it.



Policy Recommendations for Pakistan

Pakistan's response must be governed by four core principles: adherence to international law; commitment to de-escalation and civilian protection; preservation of strategic autonomy; and proactive safeguarding of economic and security interests. The following recommendations are sequenced by urgency.

1. A Ceasefire at the UN: Pakistan should immediately assert within multilateral forums that the use of force must

conform to the UN Charter's principles of sovereignty, territorial integrity, and non-aggression.²⁰ The assassination of a head of state and resulting civilian casualties must be referred for independent investigation under international humanitarian law. Islamabad should lead a resolution in the UN General Assembly, where it cannot be vetoed, by calling for an immediate ceasefire, independent fact-finding, and humanitarian corridors. This initiative should be coordinated with OIC member states, Turkey, Malaysia, and Indonesia. This is not merely a principled stance; it is the strategic foundation upon which Pakistan's credibility as a future mediator rests.

2. Economic Contingency and Energy Security: An inter-ministerial task force should be constituted immediately to manage the economic exposure of Pakistan. Priority actions include: coordination with the State Bank to monitor currency markets and ensure liquidity against rupee depreciation; engagement with the IMF and bilateral partners for emergency balance-of-payments support if needed; diplomatic outreach to alternative oil and LNG suppliers to reduce Gulf routing dependence; targeted subsidy mechanisms to protect lower-income households from energy inflation; and rapid development of evacuation and welfare protocols for Pakistani workers

¹⁹ State Bank of Pakistan, *Workers' Remittances: Country-Wise Data FY2025*, cited in "Saudi Arabia Leads Pakistan's August Worker Remittances," *Arab News*, September 8, 2025.

²⁰ United Nations, *Charter of the United Nations*, Chapter I, Article 2, June 26, 1945, <https://www.un.org/en/about-us/un-charter/chapter-1>.

deployed across Gulf states.²¹

3. *Strategic Autonomy and Balanced Diplomacy:* Pakistan must resist entanglement in the bloc politics of this conflict. Consistent messaging is essential: Pakistan condemns violations of international law regardless of the perpetrator, advocates diplomacy over escalation, and will not join any military side related to this conflict. Pakistan should leverage its relationship with China, whose energy security interests align with Islamabad's in seeking a swift Hormuz resolution. Therefore, to coordinate diplomatic messaging toward de-escalation. On the nuclear dimension, Pakistan should reiterate its longstanding support for a Middle East free of weapons of mass destruction and warn that coercive military strategies risk triggering the very proliferation pressures they claim to prevent.

4. *Leadership of a Regional Dialogue:* Once conditions permit, Pakistan should actively propose or co-convene a regional dialogue forum involving the successor government of Iran, the Gulf states, Turkey, Jordan, and relevant international parties, focused on de-escalation mechanisms, non-aggression commitments, maritime security cooperation, and the framework conditions for revived multilateral nuclear diplomacy. Pakistan is uniquely positioned for this role: it maintains working relationships with Iran, all GCC states, China, and Turkey; holds

no territorial stake in the conflict; and its principled non-alignment gives it credibility across regional dividing lines. Islamabad should coordinate closely with Oman, the trusted US-Iran intermediary channel, to preserve the diplomatic infrastructure essential to any eventual settlement.

Conclusion

The US-Israeli strikes on Iran represent one of the most consequential acts of military escalation in the post-Cold War order. They have terminated a functioning diplomatic process, destabilized global energy markets, unleashed sectarian shockwaves from Baghdad to Karachi, and set normative precedents for pre-emptive warfare whose systemic effects may outlast the immediate military campaign. For Pakistan, this is not a distant crisis; it is a proximate emergency touching its economy, its society, and its regional security environment simultaneously. Pakistan's core vulnerability is internal: political polarisation, economic fragility, and instability in KPK and Balochistan, which, once exposed to external threats, can create security-related problems. In case of a collapse of the regime in Iran there could be direct destabilizing impact on Balochistan via refugee flows and cross-border militancy (activation of sectarian networks & greater operational space for BLA and associated militant actors). In addition, the regional fallout and international repercussions will also affect Pakistan.