



RSC SPECIAL BRIEFING

IRAN SITUATION REPORT: WIDER IMPLICATIONS

Richard Giragosian

6 & 9 March 2026

Five Key Briefing Issues

- Assessing the US-Israeli campaign & Iran's asymmetric response
- Decapitation & regime change
- Wider regional implications
- Global repercussions
- Three likely scenarios

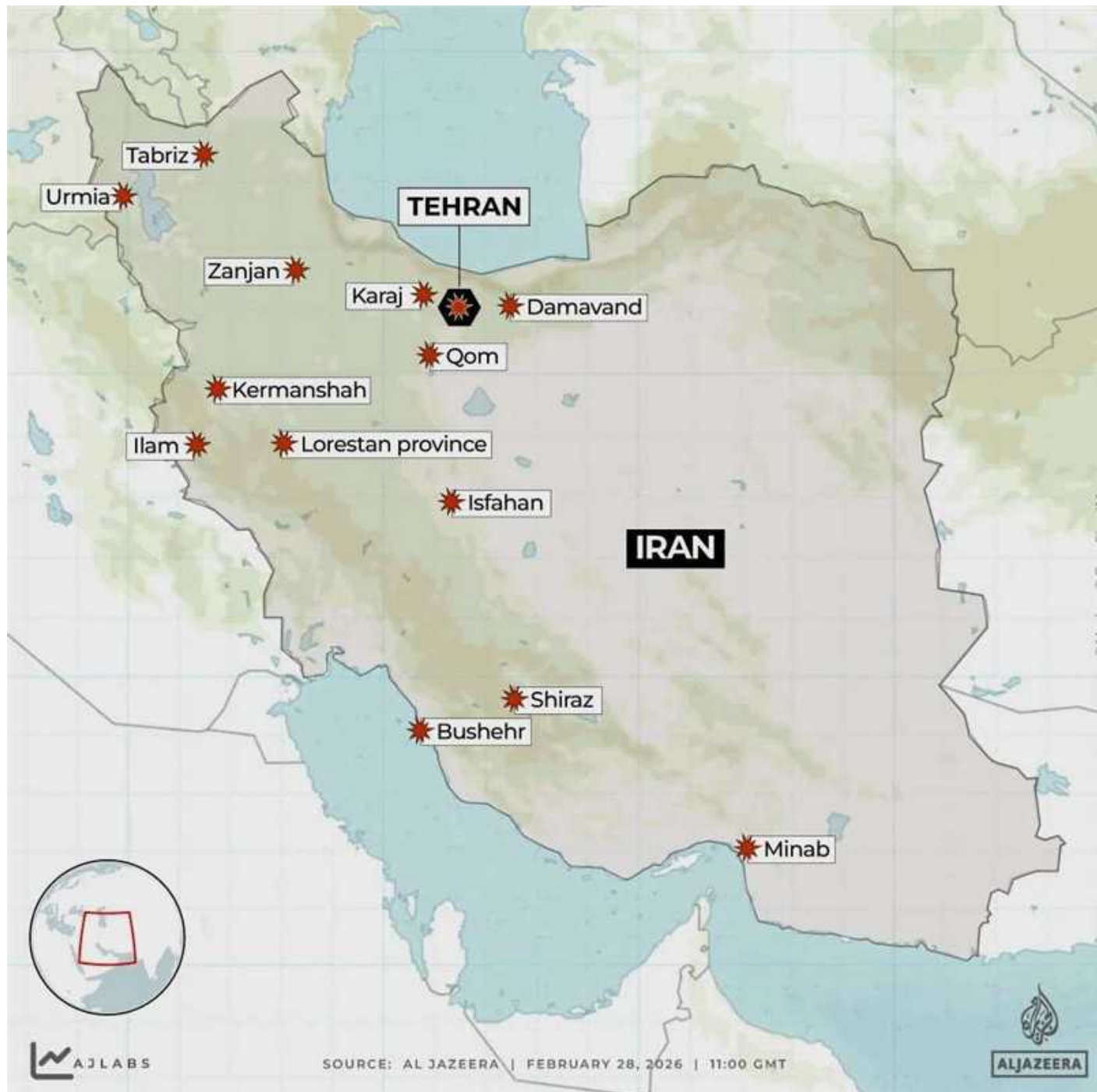
Military Attacks Targeting Iran

- US & Israel launches air campaign targeting Iran on 28 February
- Unlike June 2025 12-day war that targeted nuclear sites, this campaign is more serious & more sustained, targeting political, not only military & security assets (command-and-control)

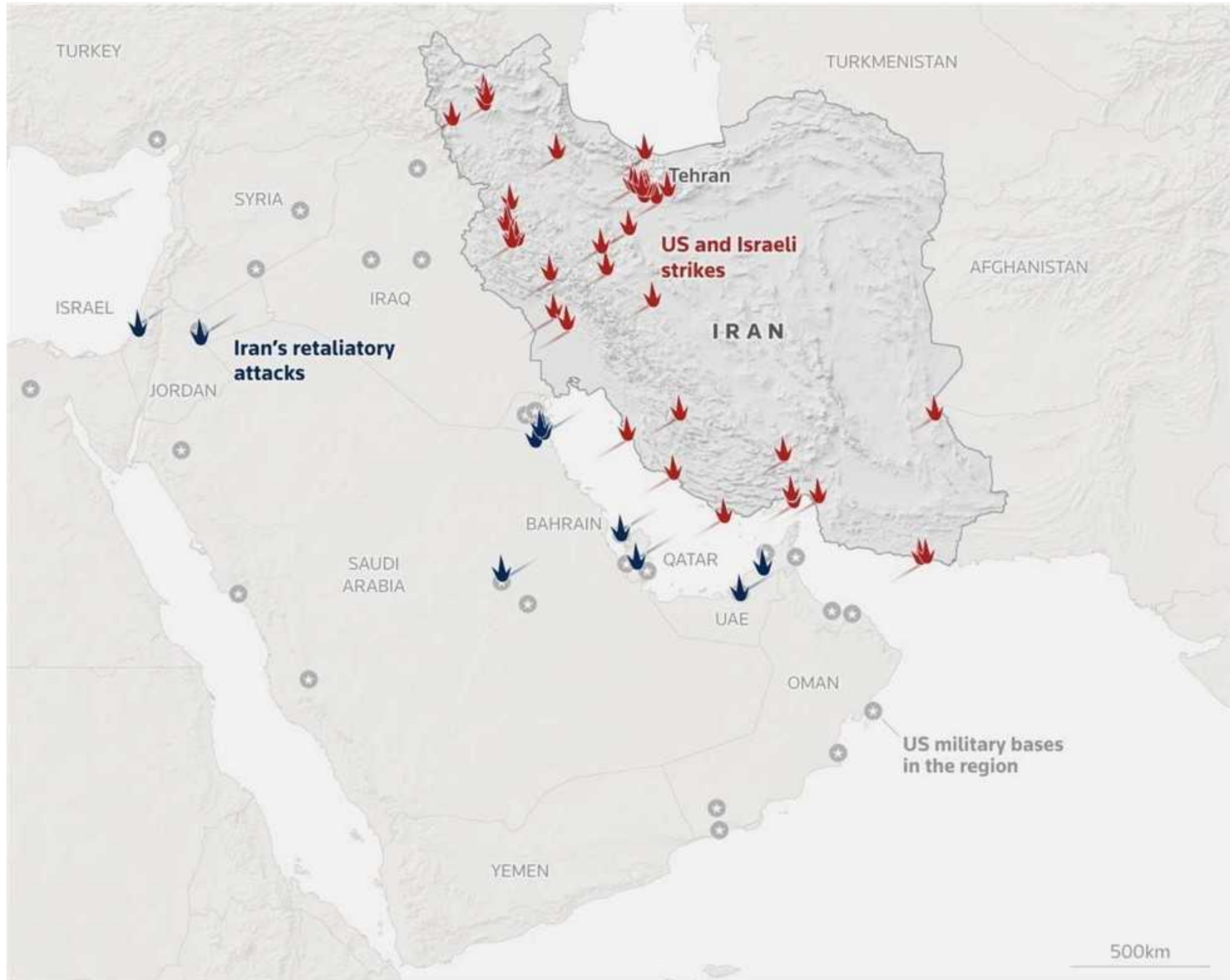
Operational Objectives

- Three targets:
 - Ruling regime elite leadership
 - Islamic Revolutionary Guards Corp (IRGC) & security officials
 - Iranian military (air force, navy, air defense capabilities) senior officers
- Inherent incoherence on “regime change” as strategic objective

U.S.-Israeli Attacks



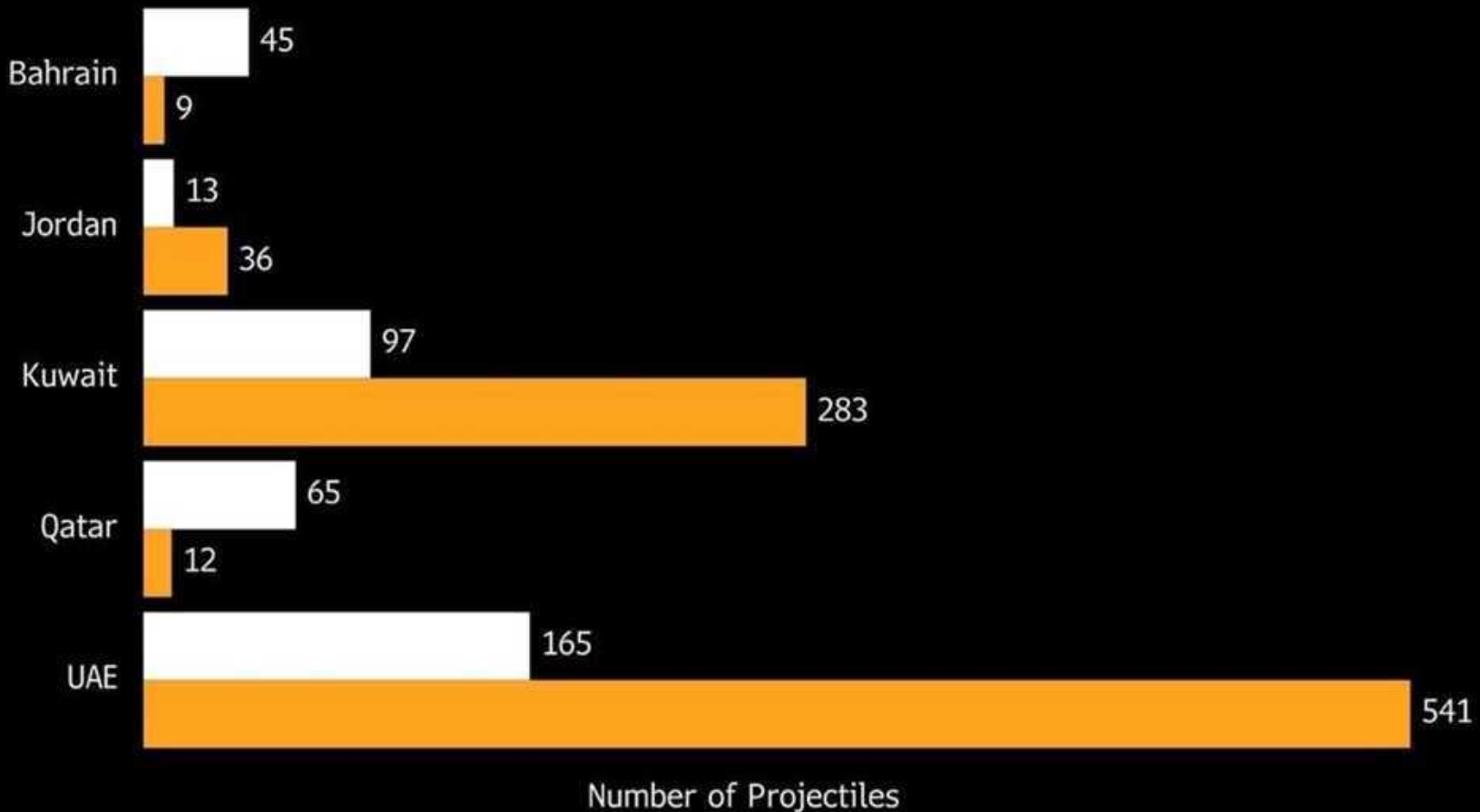
The Widening War



Iran's Asymmetric Response

Iranian Projectiles Fired in the First 48 Hours of the War

■ Missiles ■ Drones

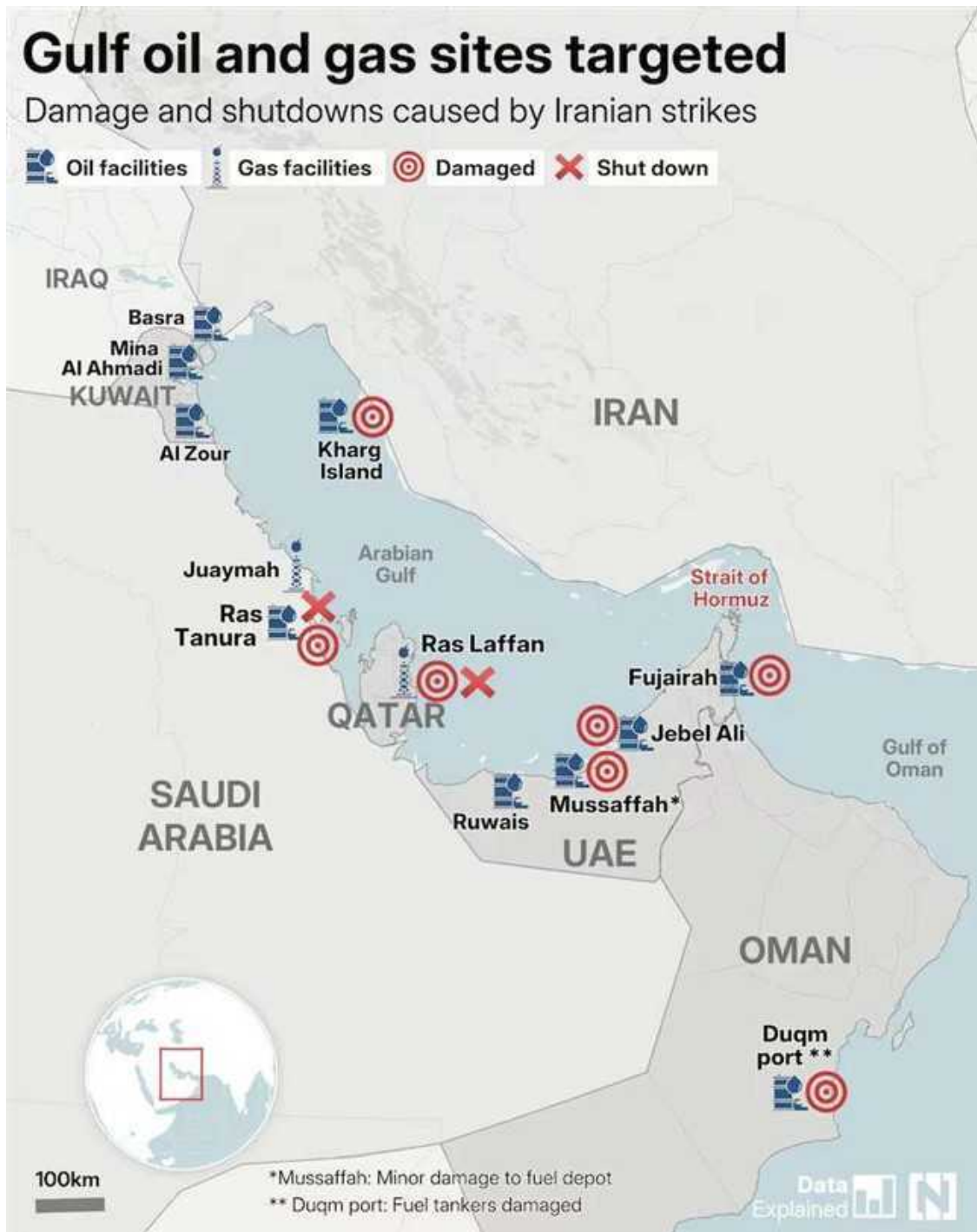


Source: Bahrain Defense Force, Jordanian Armed Forces, Kuwait Ministry of Defense, Qatar Ministry of Defense, UAE Ministry of Defense

Note: Represents the number of reported projectiles for Feb. 28 and Mar. 1, 2026. Figures reported by Bahrain, Jordan, and Qatar represent the number of projectiles engaged rather than total number fired.

Bloomberg Economics

A True “Gulf War”



The Gulf's "Strategic Dilemma"

Avoiding War with Iran is Gulf's Only Winning Move

"Iran's strikes on Gulf states risk drawing the region into a wider war that could reshape the Middle East's strategic balance. For Gulf governments, the most consequential decision may not be how to retaliate, but whether to enter the conflict at all."

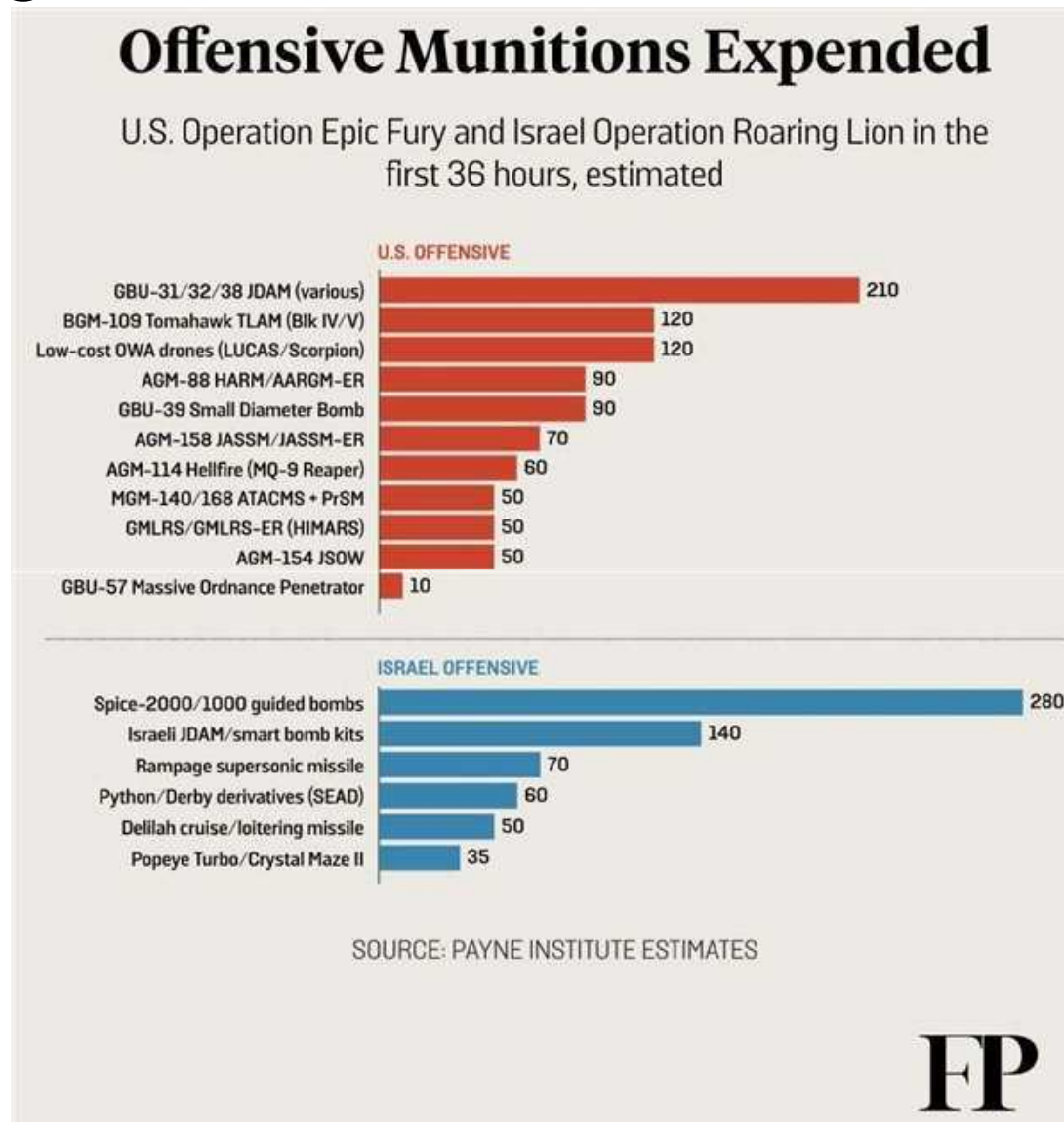
Alanoud Hamad Saud Al Thani, Middle East
Council on Global Affairs, Nonresident fellow

Iranian Strategic Response

- Military responses
 - *Retaliation*: lashing out to inflict pain and impose a price; targeting US military/diplomatic installations; attacking Gulf states & energy infrastructure
 - *Resistance*: endure military campaign by triggering war of attrition to deplete American air defense & interceptors
 - *Resilience*: to survive & withstand initial attacks while outlasting American resolve

US-Israeli Munitions Offensive Expenditures

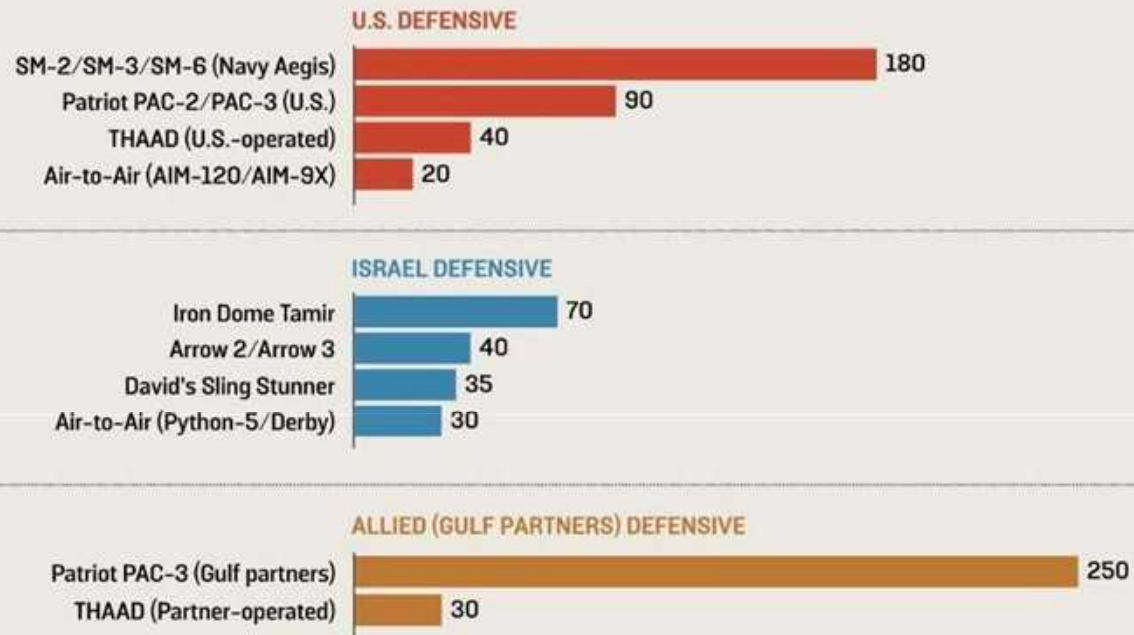
First 36 hours of campaign consumed +3,000 precision-guided munitions & interceptors



US-Israeli Munitions Defensive Expenditures

Defensive Munitions Expended

U.S. Operation Epic Fury and Israel Operation Roaring Lion in the first 36 hours, estimated



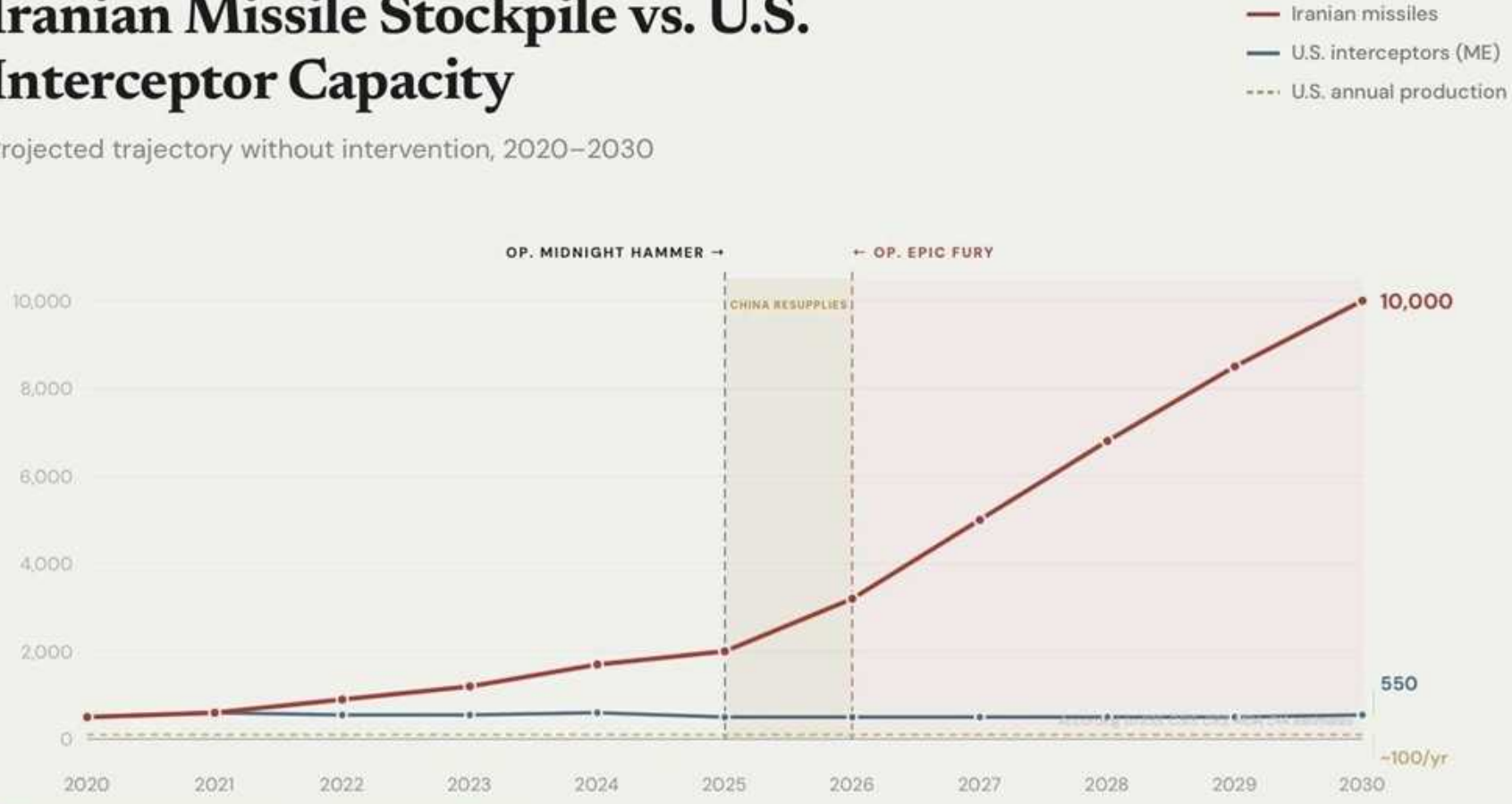
SOURCE: PAYNE INSTITUTE ESTIMATES

Attrition: Missiles vs. Interceptors

THE ARITHMETIC OF DETERRENCE

Iranian Missile Stockpile vs. U.S. Interceptor Capacity

Projected trajectory without intervention, 2020–2030



2025–2026 Between the two operations, China shipped thousands of tons of propellant chemicals, guidance systems, and dual-use components to Iran (WSJ, FT, CNN).

Sources: IISS Military Balance; CSIS Missile Defense Project; Congressional Research Service; Missile Defense Agency; DIA; U.S. Treasury (OFAC); Financial Times; CNN; Wall Street Journal; The Maritime Executive

Iranian Missile Capability

IRAN'S BALLISTIC AND CRUISE MISSILES

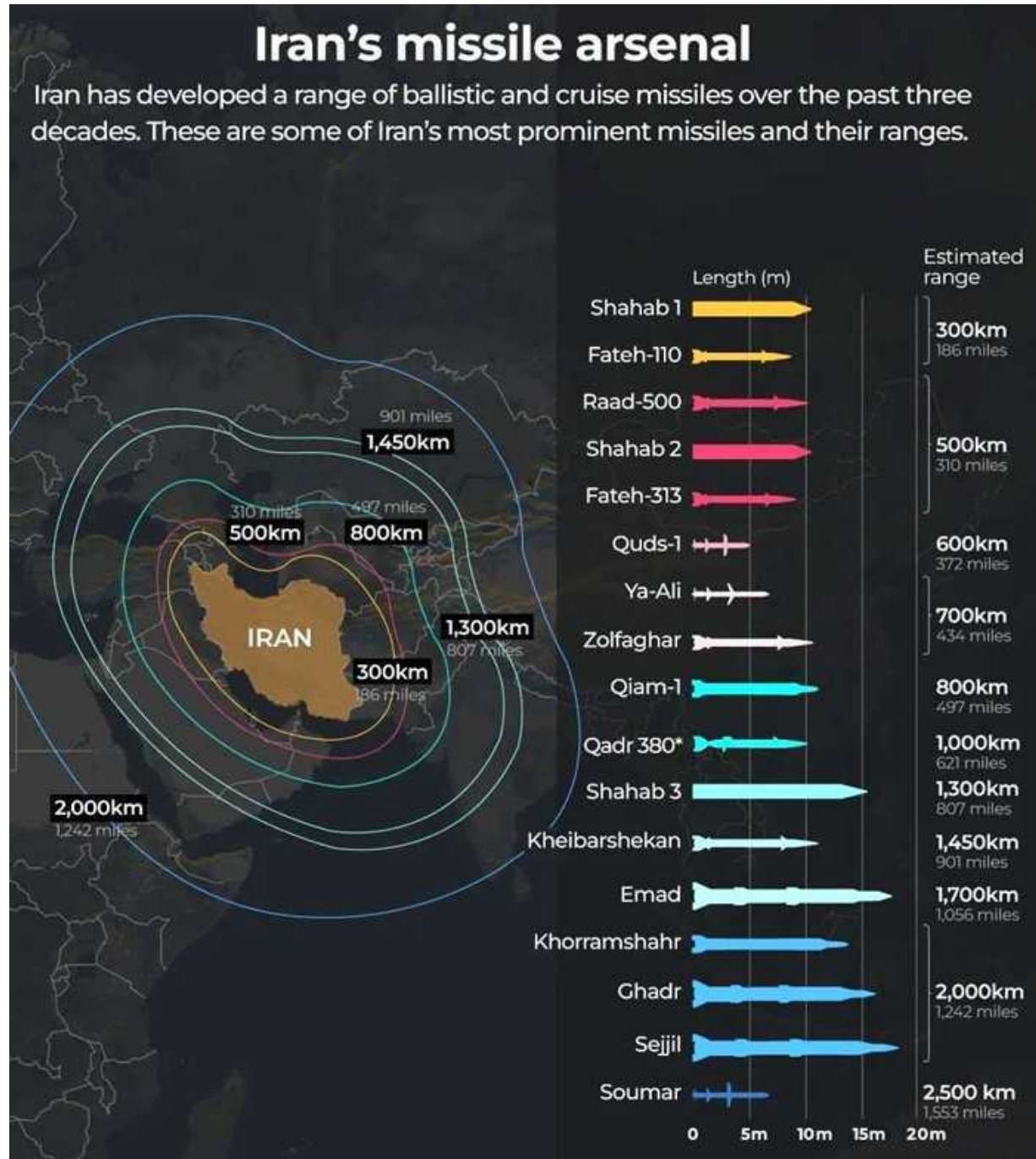
Iran fields the largest and most diverse missile arsenal in the Middle East, with thousands of ballistic and cruise missiles, some capable of striking as far as Israel and eastern Europe. In recent years, Iran has also developed and operationalized advanced the Shahed-131 and -136 unmanned aerial systems (UAS) or cruise missiles, that provide Iran with expanded targeting capabilities. These developments have made Iran's missile forces a potent tool for power projection and a credible threat to U.S. and partner military forces in the region. Iran is also an active proliferator, supplying missiles, rockets, and UAS to partners and proxies in Iraq, Lebanon, the Palestinian Territories, Yemen, and Russia.



Iran's Missile Arsenal

Iran's missile arsenal

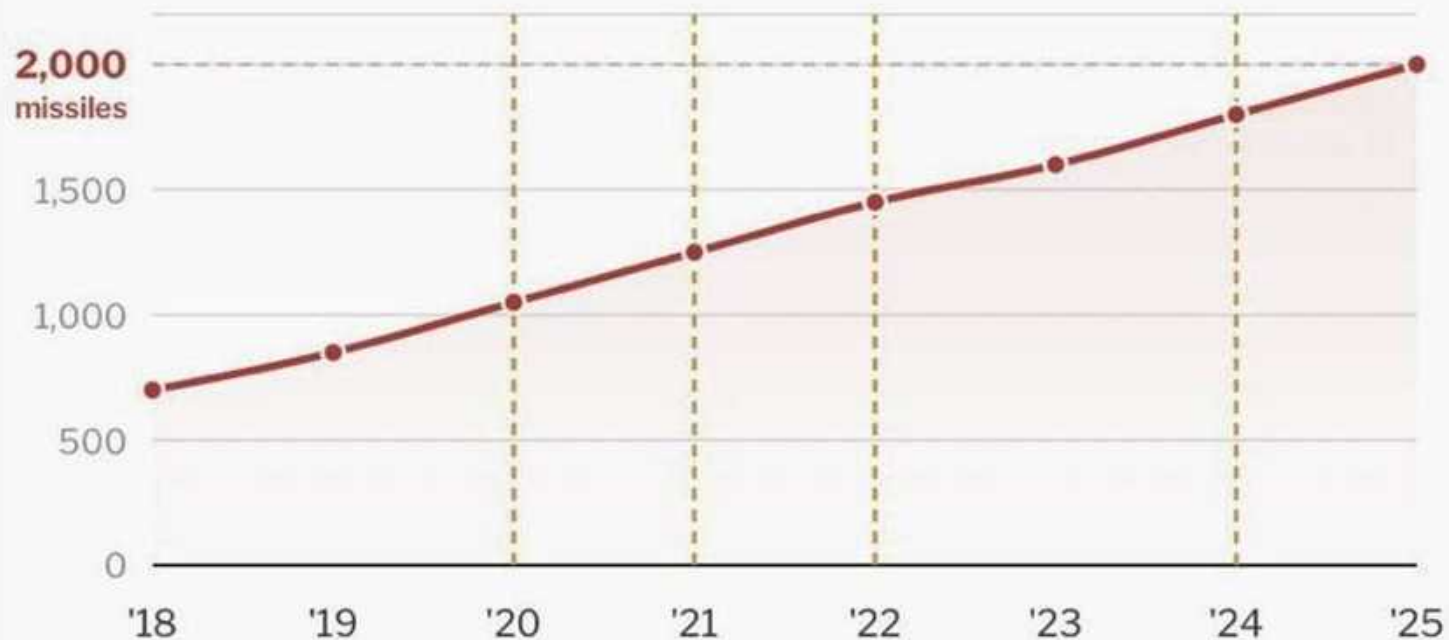
Iran has developed a range of ballistic and cruise missiles over the past three decades. These are some of Iran's most prominent missiles and their ranges.



Chinese Supplies

Iran's arsenal accelerated as Chinese supply lines deepened

Estimated **Iranian missiles** and **Chinese supply milestones**



'20 Rocket fuel precursors to IRGC

'21 BeiDou-3 replaces GPS

'22 Propellant for ~800 missiles

'24 CM-302 anti-ship missile negotiations

Source: U.S. Treasury, DOD statements, Israeli defense assessments

By Zineb Riboua / zinebriboua.com

Chinese Assistance

Chinese chemicals could fuel 1,500+ Iranian ballistic missiles

Estimated Kheibar Shekan-class missiles producible from Chinese-supplied propellant, 2025

Jan-Mar deliveries



Jun order



Sep-Oct deliveries



Total

~1,560

Conversion: 1,000 t sodium perchlorate → ~960 t ammonium perchlorate (AP) → ~1,300 t solid propellant (AP = 70% of fuel mix) → ~260 missiles at ~5 t propellant each. Based on Western intelligence estimates.

Source: CNN, Financial Times, Wall Street Journal, The Diplomat

Zineb Riboua / zinebriboua.com

Turning the Tide

- US counters Iran by targeting (1) missile emplacements (2) launchers and (3) manufacturing sites & drone production facilities
- Results in steep decline in Iranian counter-attacks

Ballistic missile launches		Drone swarm attacks	
Day 1	350	Day 1	294
Day 2	175	Day 2	541
Day 3	120	Day 3	200
Day 4	50	Day 4	85
Day 5	40	Day 5	45

GCC Air Defense Performance

UAE: Ballistic 92% (181/196) — Cruise 100% (8/8) — Drone 93% (1,001/1,072)

Qatar: Ballistic 96% (99/103) — Cruise 100% (5/5) — Drone 55% (30/55)

Saudi Arabia: Ballistic 100% (3/3) — Cruise 100% (6/6) — Drone 94% (32/34)

Bahrain: Ballistic 83% (65/78) — Drone 68% (88/129)

Oman: Drone 75% (6/8)

Kuwait: no efficacy ratio (394 drones & 212 missiles)

The Danger of the Dynamic Duo of US Diplomacy



Poor Prep & No Planning



- Extended duration & unforeseen consequences (costing ~\$1 billion a day); first-ever drone threat
- Mixed messages on “end state” objectives
- Shatters Gulf sense of security & US alliances
- Rush shipments of air defense & counter-drone systems; hurried & harried evacuation orders

Regime Change?

- Removing/killing senior leadership ranks still leaves deeper institutional apparatus
- Fundamental challenges to regime change
 - External pressure has never worked before
 - No viable opposition; regime dissent lacks arms, no training/experience, fragmented & divided, and no charismatic leader or leaders
- Reliance on proxy force (Kurds) or internal ethnic division questionable/unlikely

Power Players



- Mojtaba Khamenei
- Ali Larijani, NSC chief

Others:

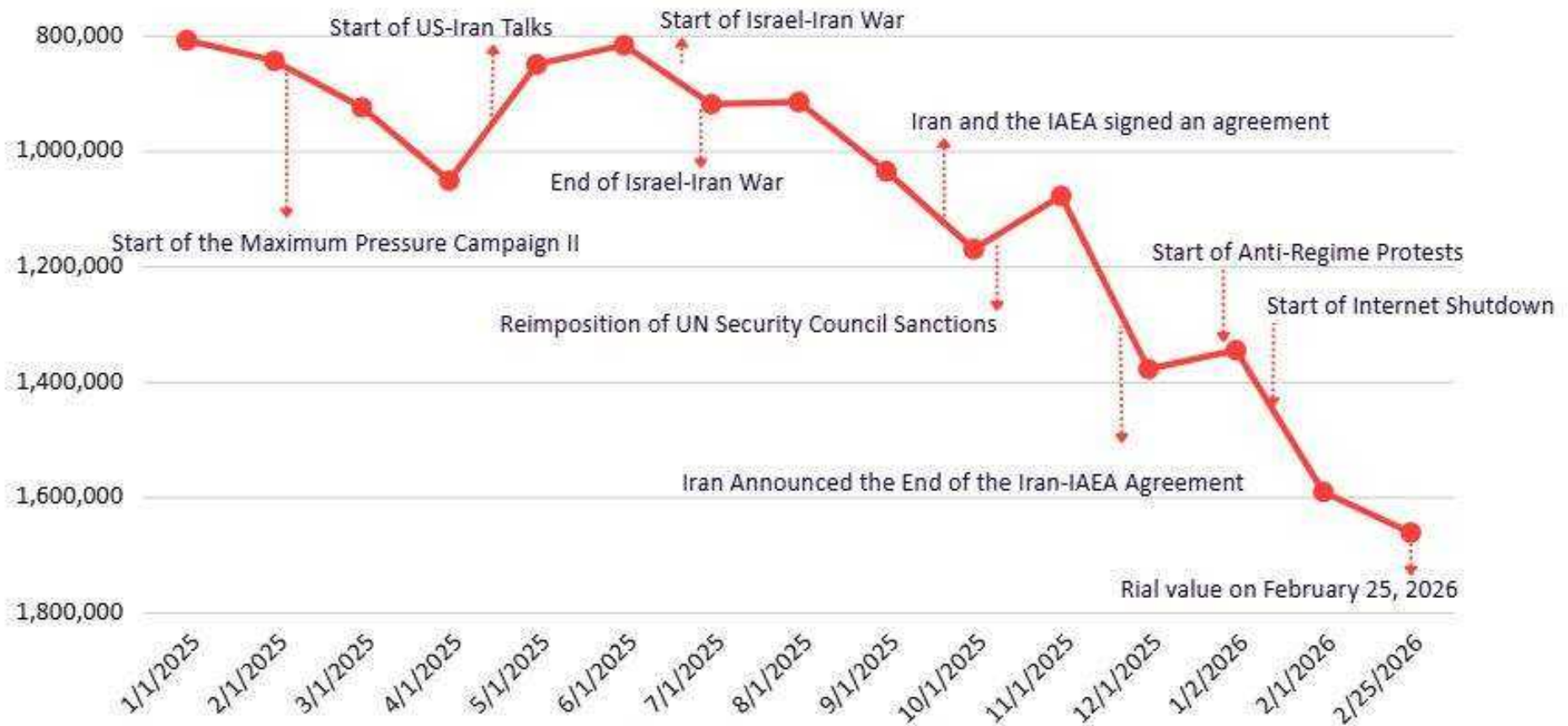
- Alireza Arafii, senior cleric;
- President Masud Pezeshkian;
- Judiciary chief
Gholamhossein Mohseni-Ejei
- Parliament Speaker
Mohammad Baqer Qalibaf



Currency Collapse

Iranian Rial Value per One US Dollar Since January 2025
January 1, 2025 to February 25, 2026

Iranian Rial Value



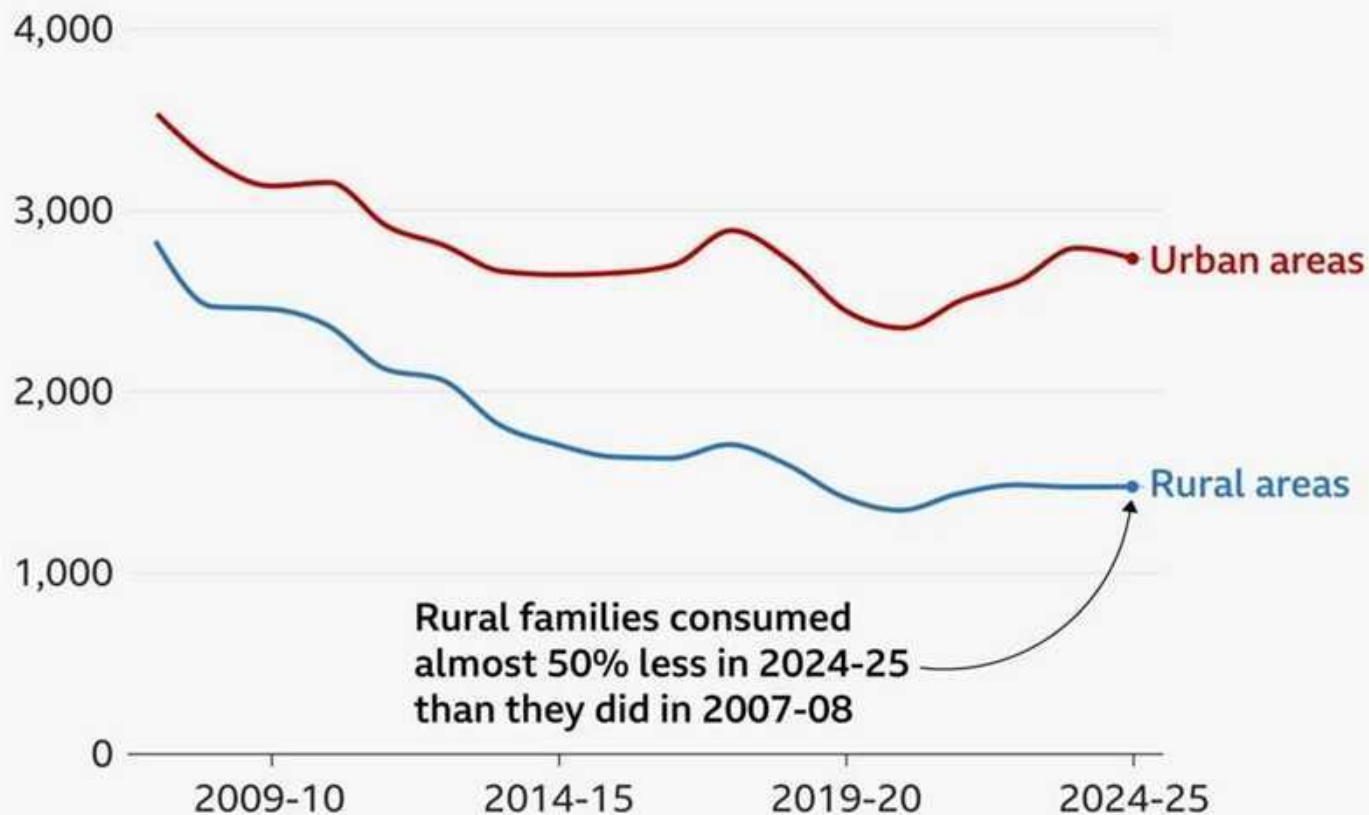
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Source for Rial Value: www.bonbast.com

Economics of Discontent

Living standards in Iran have fallen dramatically since the 2008 crash

Annual gross household expenditure* in constant 2024-25 prices (million rials)



*The value of all goods and services consumed by a household, including food, healthcare, education, fuel, electricity and rent.

Illusions of Ethnic Discord

IRAN'S MAINLY KURDISH AREAS

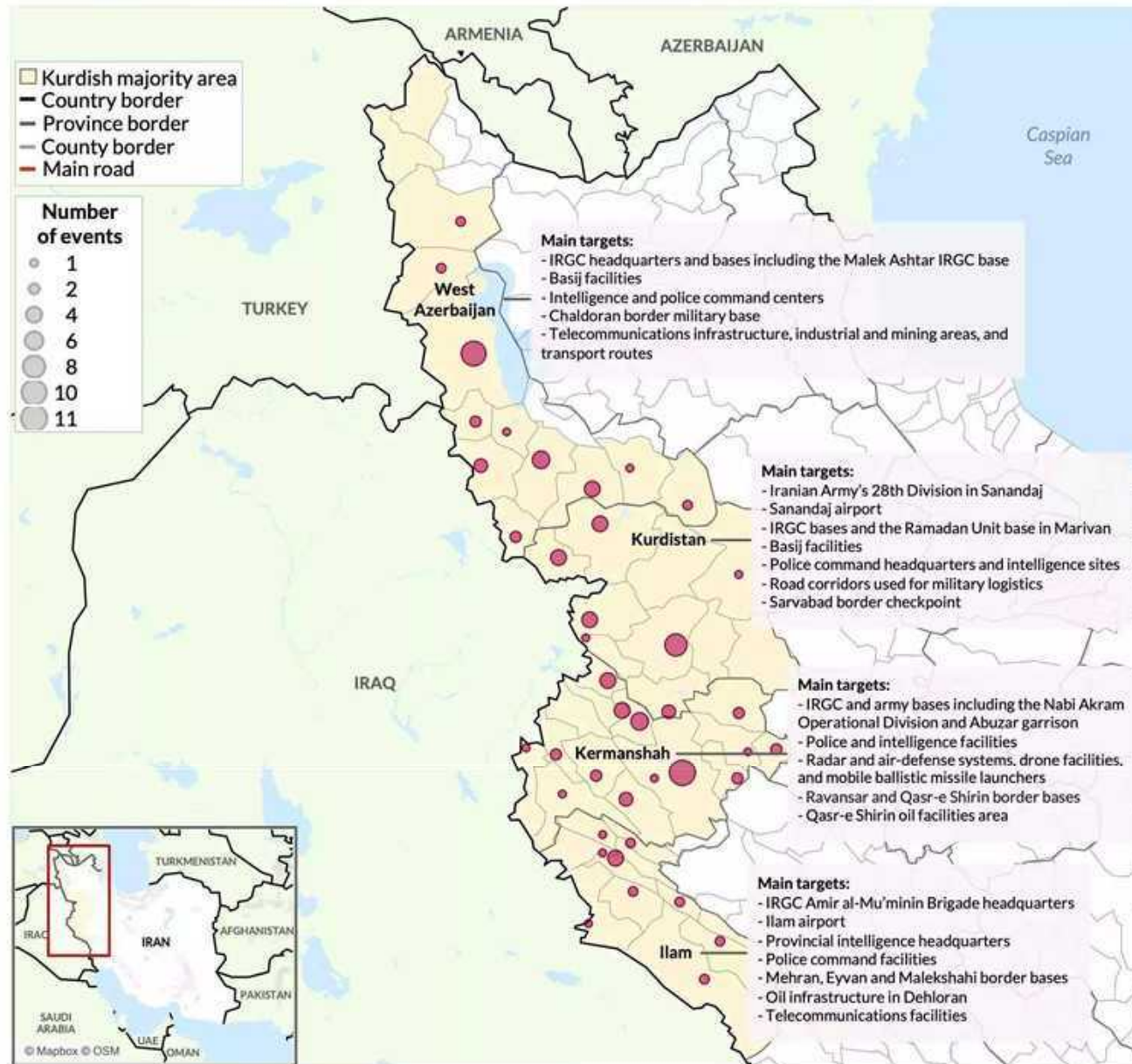


Source: Financial Times / Wikipedia ARAB NEWS

Kurdish Opening

Israeli/US attacks in Iran's Kurdish areas

28 February - 6 March 2026



Regime Resilience

- Iranian regime rests on three pillars
 - Clerical elite; Supreme Leader
 - Islamic Revolutionary Guards Corps (IRGC)
 - Military officers & traditional armed forces
- Proxy power (Hezbollah, Hamas, Houthis)
much less effective as potent instrument
- Nuclear program has always been a national issue not just regime objective
- Diplomatic isolation & siege mentality

Wider Regional Implications



Battlespace Expansion

- Targeting the Gulf a serious miscalculation, deepens Iranian isolation, ends GCC facilitation and heightens self-imposed encirclement
- Iranian attacks go beyond the Gulf, hitting EU member Cyprus (2 missile launches/1 drone attack), targeting NATO member Türkiye (2 downed missiles)

Drone Attacks Strike Azerbaijan

Four Iranian drones attack Azerbaijani civilian airport in Nakhichevan



IRGC “Sleeper Cell” Arrested in Azerbaijan



Tempting Target? South Caucasus Pipeline Network

- Iranian temptation to turn north and target pipeline network and infrastructure in the South Caucasus



Trump Route for International Peace & Prosperity (TRIPP)



Trump Route for International Peace & Prosperity (TRIPP)

As US-facilitated TRIPP project, Iran may seek to target and threaten the route along its northern border



Negative Impact on Russia



- Forces loss of third partner (after Assad, Maduro)
- Heightens perception of Russian weakness and passivity
- Triggers another geopolitical retrenchment/retreat
- Exacerbates Iranian sense of Russian betrayal

Positive Impact on Russia

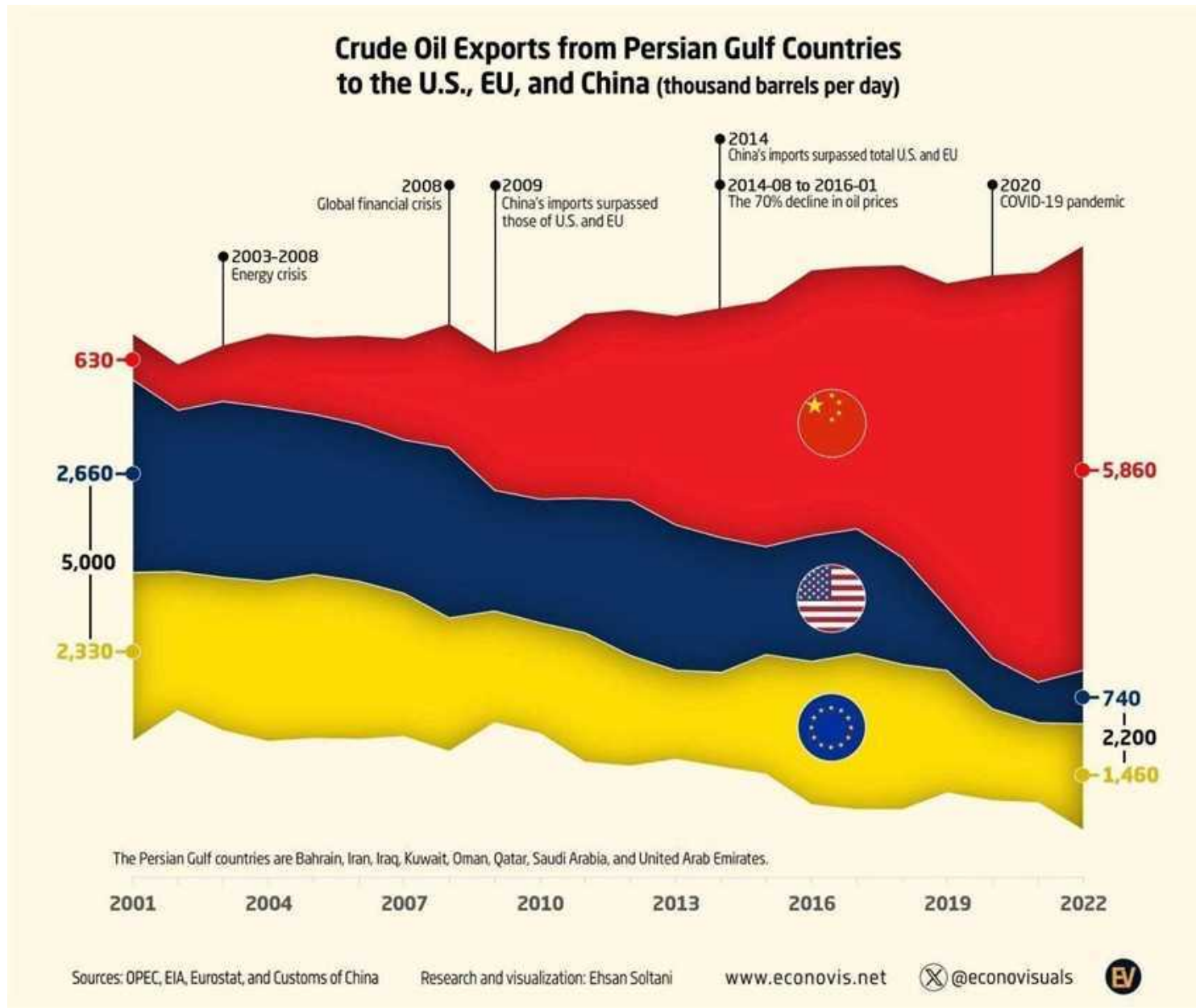


- Higher energy prices are critical for Russian economy
- Military attrition threatens US ability to assist Ukraine
- US becomes distracted from Ukraine

Energy: Market Volatility

- Oil prices reach \$117 per barrel today
- China hit as world's largest oil importer; accounts for 80% of Iranian oil exports
 - Offset by China's 2025 stockpiling of 1.2-1.4 billion barrels (three-month supply);
 - Chinese EV production reducing domestic oil demand by 1 million barrels per day;
- Qatar halts LNG production; price surge by over 50% this month

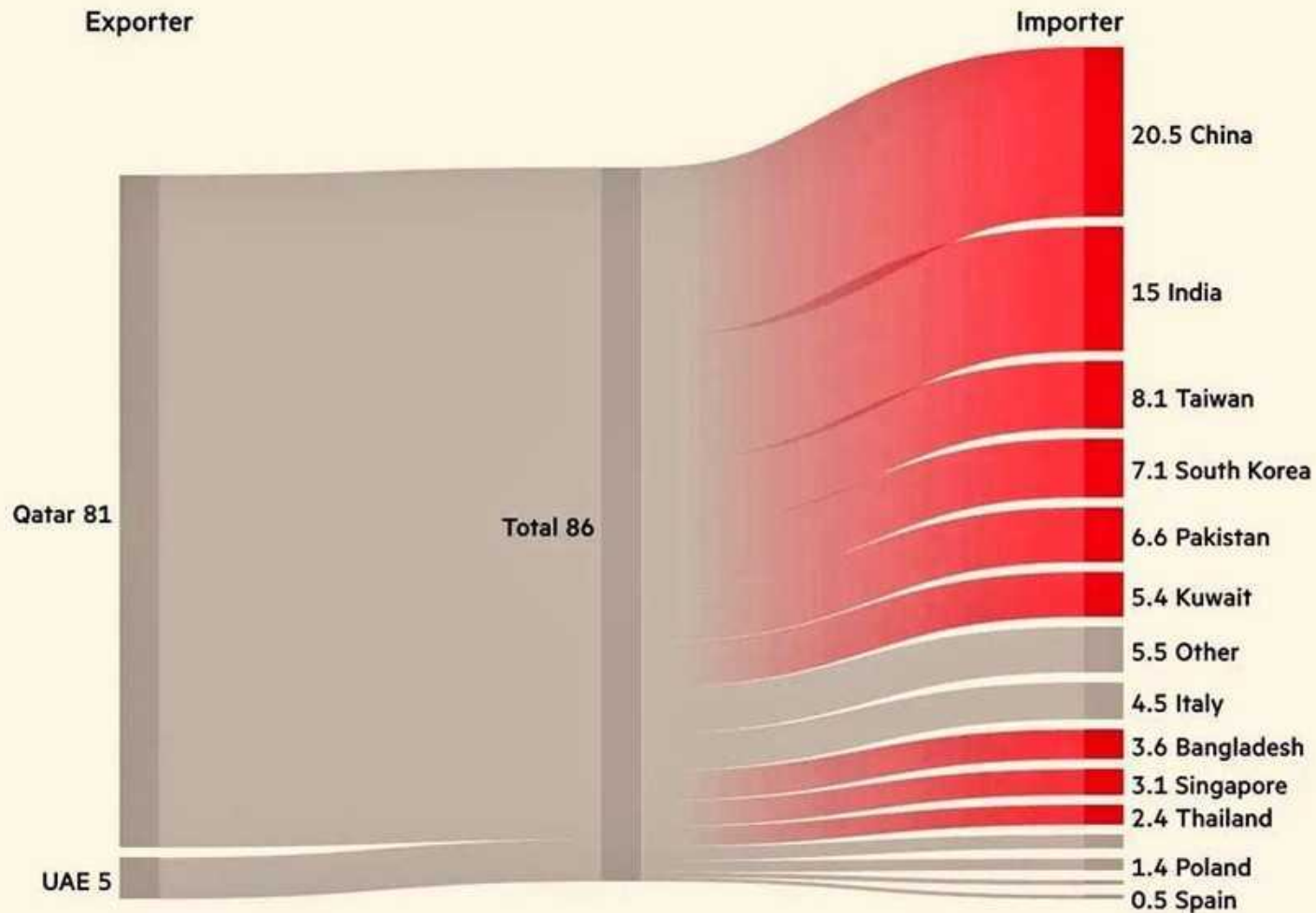
Global Gulf Oil Exports



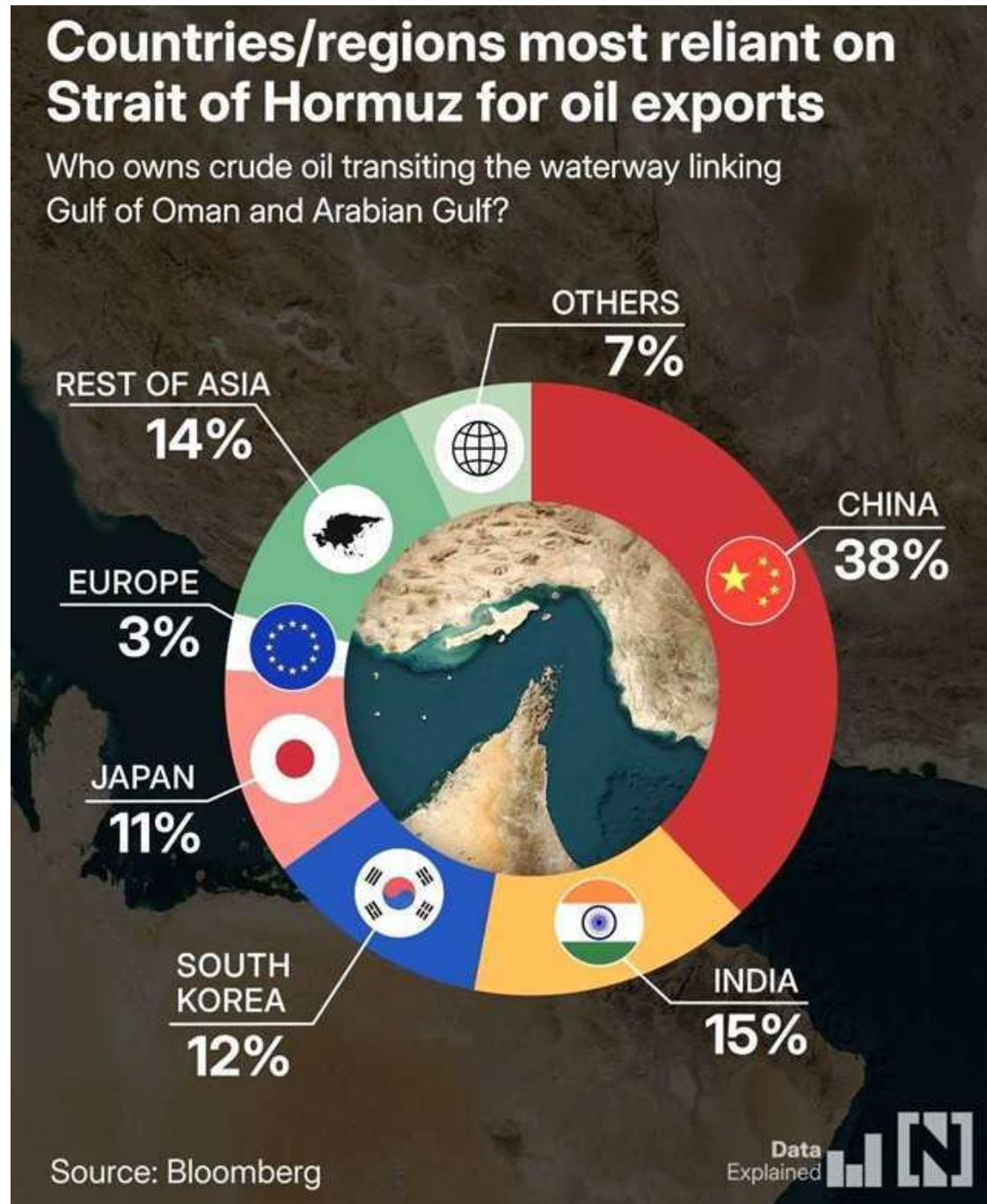
Global Gulf LNG Exports

The majority of LNG exports from the Gulf are shipped to **Asian countries**

Million tonnes, 2025



Chokepoint: Strait of Hormuz

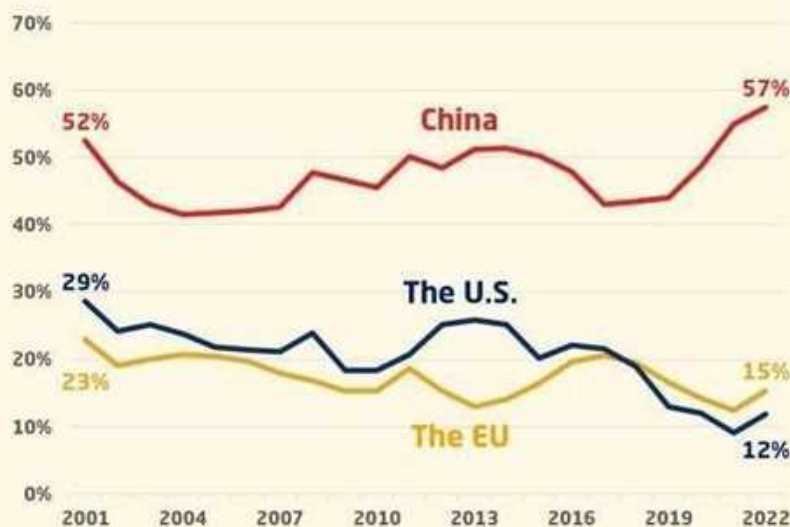


Critical Chokepoint: Strait of Hormuz

Turning Point in the Hormuz Strait Tensions

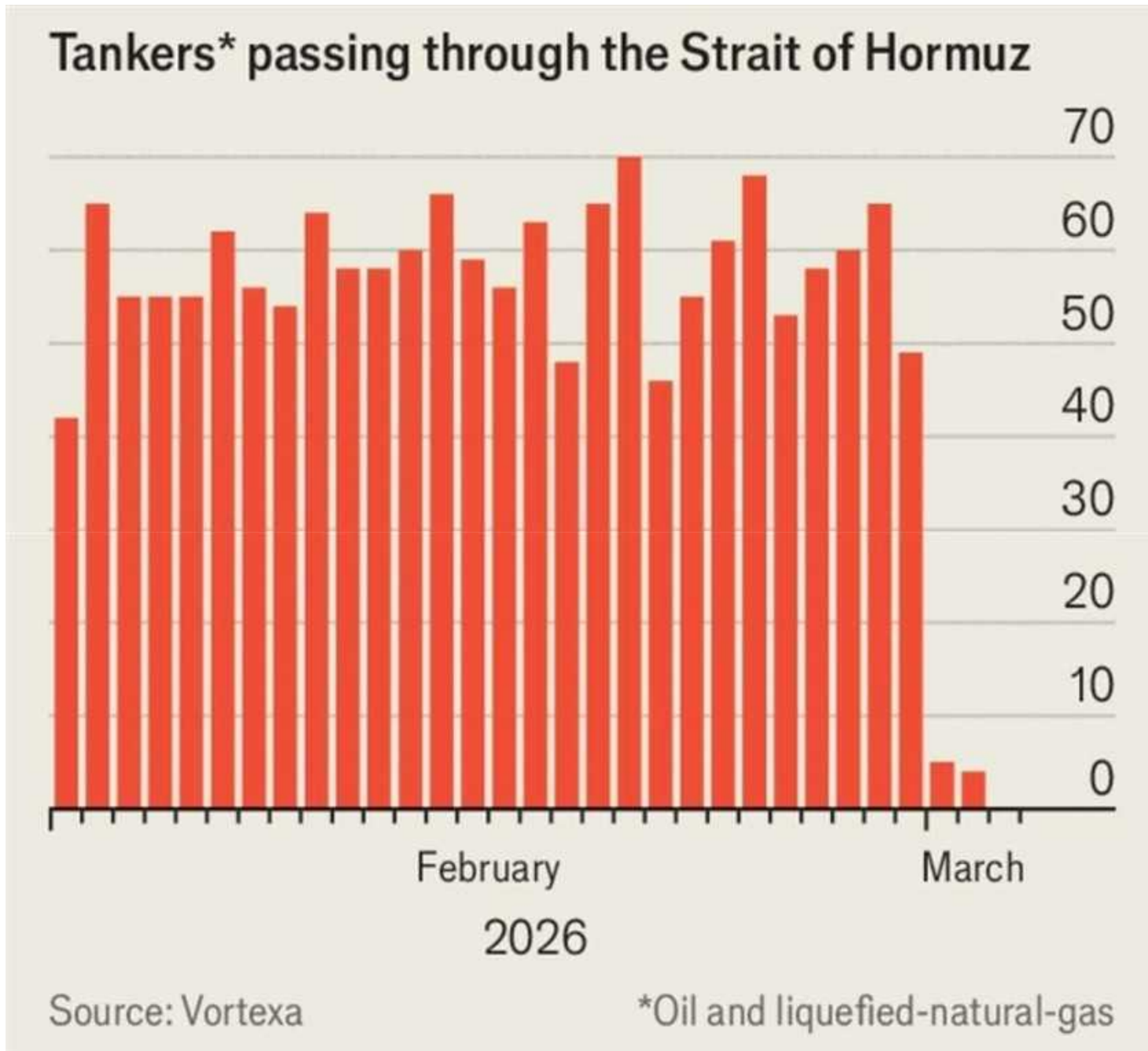
The Persian Gulf countries' trade and energy export patterns have undergone a significant paradigm shift, moving away from reliance on the U.S. and the EU towards emerging countries, with a particular focus on China. As a result, Iran's ability to leverage oil transit threats through the Strait of Hormuz has diminished.

Persian Gulf Share of Crude Oil Imports



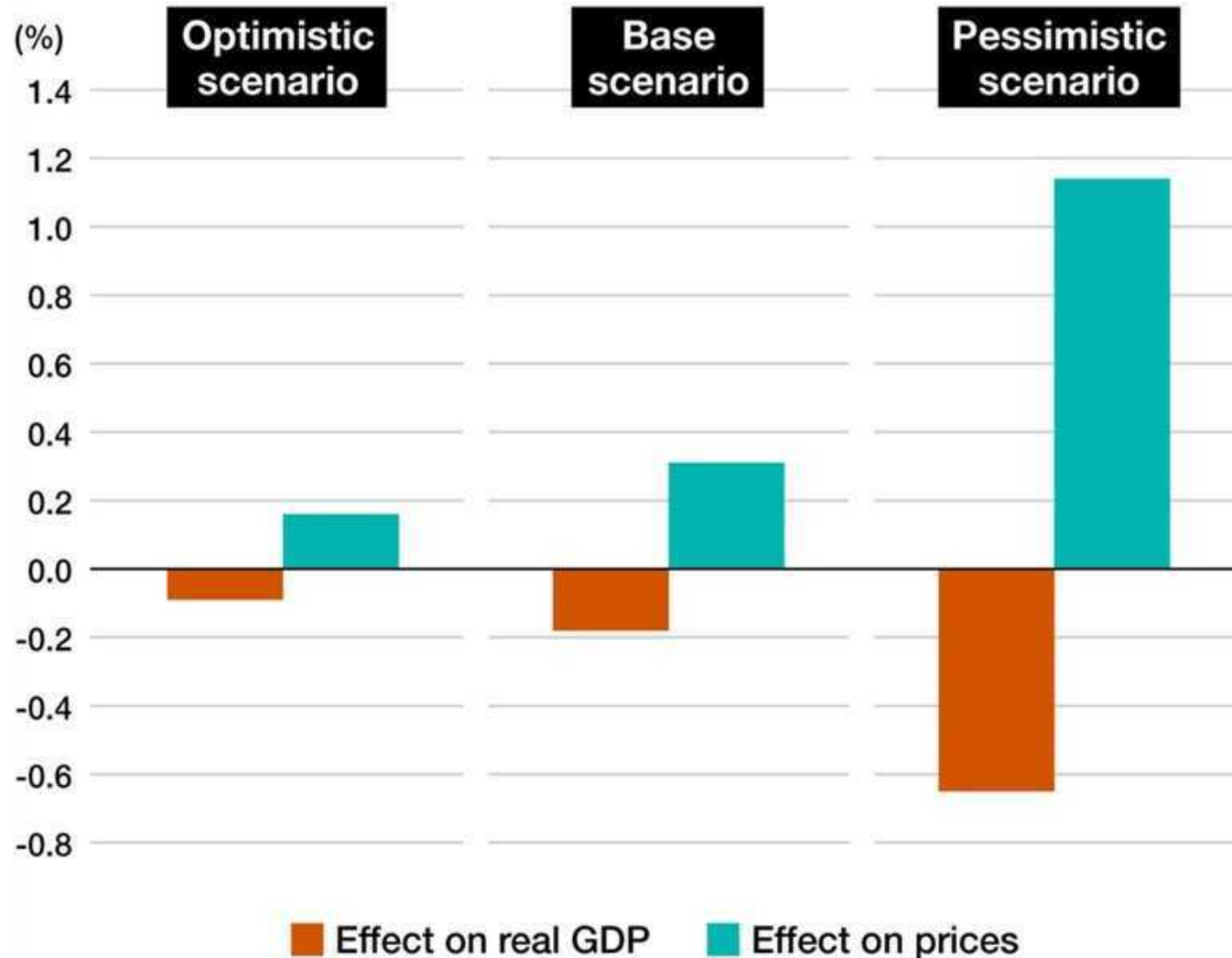
Persian Gulf Countries Statistic (2022)			
Crude Oil	Reserves	Production	Export
Quantity	865,928	25,013	18,121
Unit	million barrel	thousand barrel/day	thousand barrel/day
World Share	55%	44%	42%
Natural Gas	Reserves	Production	Export
Quantity	81,714	712,389	177,476
Unit	billion cu m	million cu m	million cu m
World Share	39%	17%	13%

Hormuz Tanker Traffic




Impact on Japanese Economy

Projected Effect of Iran Conflict on Japanese Economy



Created by *Nippon.com* based on data from Nomura Research Institute.

The scenarios are based on the price of a barrel of crude oil: \$77 in the optimistic, \$87 in the base, and \$140 in the pessimistic scenario.  nippon.com

Short-Term Scenarios:

- **Markets & Munitions**
 - Global volatility in energy, but also fertilizer, cargo shipments, transport
 - Triggering economic downturn & imposing inflationary pressures
 - Munitions & cost-benefit analysis; depleted arsenal for other theaters
 - Damaging alliances & sowing mistrust of US

Medium-Term Scenarios

- Internal regime power struggle
 - Iran has always been the outlier: ruled by “kings and clerics” - democracy or military coup would be highly unlikely
 - New/next leadership as prisoner & protegee of Revolutionary Guards (IRGC); Unrivaled power of IRGC suggest more aggressive & militant policies

Long-Term Scenarios

- No going back
 - IRGC unsuited to sustained power; not a solution or a resolution of underlying crisis
 - Rise of warlordism & risk of fragmentation
 - Weakening of Iran to enhance Israeli & Turkish power projection
 - Gulf states (GCC) forced to assert themselves & question American security



For more information:

Richard Giragosian
Director

Regional Studies Center (RSC)

Yerevan, Armenia

Director@regional-studies.org