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Iran Conflict: Trying to See Through the Fog of War

By Angelo Katsoras

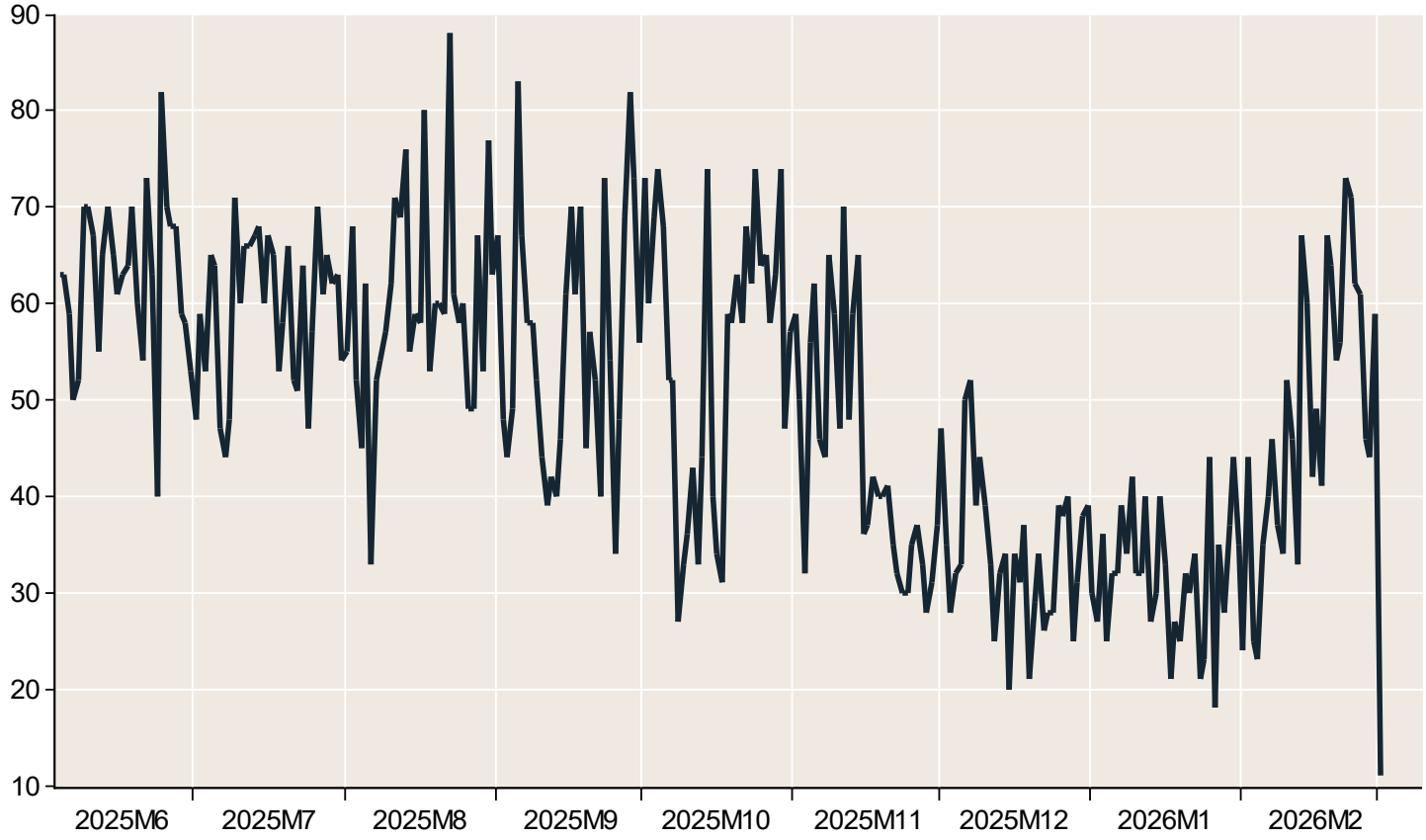
This report seeks to identify the key forces shaping the war, assess how they may influence its trajectory and outcome, and evaluate their longer-term implications for the global geopolitical landscape, recognizing that the situation remains highly fluid.

Strategic war aims

- The primary objective of the United States is the complete decapitation of the Iranian regime without having to put troops on the ground. If that fails and the regime clings to power, the United States wants the next Iranian government to abide by strict constraints: no nuclear weapons, no uranium enrichment, and no more support for proxies.
- By targeting other Gulf states, Iran appears to be testing both the willingness of those governments to pressure Washington to de-escalate and the United States' resolve to sustain an intensive campaign. This strategy, however, risks backfiring, as it could instead prompt Gulf countries to tighten their alignment with Washington. Although direct damage to oil and gas infrastructure has so far been limited, energy prices have risen sharply, driven less by physical supply losses than by the disruption of shipping flows through the Strait of Hormuz.

World: Maritime traffic severely disrupted in the Strait of Hormuz

Number of tanker ships transiting through the straight of Hormuz



NBC Economics and Strategy (data via IMF Portwatch)

- Iran is under severe pressure. First, it does not control its airspace, and its institutions are widely reported to be infiltrated by Israeli and U.S. spies. Second, many Iranians consider the regime to be illegitimate, as evidenced by the recent mass protests. Third, the economy was in dire straits even before the conflict began: For example, annual inflation stood at about 42% in December.[1]

1 "Surge of Economic Pain Pushes Iranians to the Streets," New York Times, December 29, 2025

Costs and sustainability

- The United States is entering this war at a time of historically high public debt (over 120% of GDP) and in an environment where interest rates are no longer exceptionally low. This is in stark contrast to the situation that prevailed in 2001, when U.S. public debt stood at about 55% of GDP at the start of the war in Afghanistan. The United States can ill afford to engage in a prolonged, intermittent conflict with Iran spanning years while also competing strategically with China.
- War is costly, even in the absence of active combat. For example, since removing President Maduro and his wife from power, the United States has managed to contain Venezuela without sustained fighting. Nevertheless, a January 2026 report estimated that maintaining the U.S. military presence in the Caribbean cost approximately $31 million per day.[2]
- Even before the United States and Israel began striking, it was estimated that repositioning U.S. military forces to the Middle East cost approximately $630 million.[3] The actual conflict, at its current level of intensity, is undoubtedly costing hundreds of millions of dollars per day.[4] This is without counting the secondary economic effects of the conflict, such as the impact of energy price hikes on the economy.

Scenarios

- If the war ends within several weeks without the Iranian government being toppled, tensions between Iran and the United States would persist. The United States would probably need to maintain a substantial military presence in the region for a long time, and the risk of sporadic conflict would remain high. Conversely, the complete overthrow of the Iranian government in favour of a friendlier regime would probably result in an immediate reduction in tensions.
- The risk of the United States running out of key missile interceptors is another factor that could limit how long the war can go on. During the 12-day Iran-Israel conflict in June 2025, the more than 150 THAAD interceptors reportedly fired by the United States in response to waves of Iranian ballistic missiles were estimated to represent almost one-quarter of available stocks at the time. Each THAAD interceptor costs about $13 million to replace.[5]
- One key indicator to watch for is whether rifts emerge among the governing elite or the military in Iran. This may indicate a weakening government and potential collapse.

Geopolitical landscape

- Regardless of the outcome, this conflict highlights the fact that the global economy is entering a phase of lower trust, where major countries will redouble their efforts to produce more key supplies domestically or in allied nations.
- **How this conflict could affect great-power rivalry:** If the current strategy leads to prolonged turmoil, it could erode the United States' geopolitical position and strain its global credibility. Conversely, if it is widely perceived as successfully reducing the threat from Iran and stabilizing the region, it could draw Iran—and potentially Venezuela—closer to the Western orbit and reshape the global geopolitical landscape.
- **November midterms:** Since World War II, the party in power in the United States has almost always lost seats in the midterm elections. Current conditions could make it even harder for Republicans to retain control of Congress. A significant portion of the MAGA base is sceptical of foreign entanglements. While they tolerated the relatively swift operation in Venezuela, they are likely to be less supportive of a prolonged conflict in Iran. That said, a military operation widely perceived as successful could still give the president a short-term boost in the polls.

Bottom line: Regardless of how the Trump administration's high-risk strategy ultimately plays out, the outcome is likely to further entrench a world of great-power politics—one where the global economy must adapt to higher geopolitical risk, greater security dependencies, zones of influence, and higher costs in terms of supply chain security.

2 "Ongoing Military Operations Around Venezuela Cost $31 Million per Day—$2.8 Million Is Unbudgeted," Center for Strategic and International Studies, January 20, 2026
3 "The Cost of the U.S. Military Buildup in the Middle East," Wall Street Journal, February 28, 2026
4 "Israel's War on Iran Is Costing Hundreds of Millions of Dollars a Day," Wall Street Journal, June 19, 2025
5 "Israel's 12-Day War Revealed Alarming Gap in America's Missile Stockpile," Wall Street Journal, July 24, 2025

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NBC.EconomicsStrategy@nbc.ca

To contact us:
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Jocelyn Paquet
Senior Economist
jocelyn.paquet@nbc.ca

Kyle Dahms
Senior Economist
kyle.dahms@nbc.ca

Alexandra Ducharme
Senior Economist
alexandra.ducharme@nbc.ca

Daren King, CFA
Senior Economist
daren.king@nbc.ca

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.Schleich@nbc.ca

Ethan Currie
Strategist
ethan.currie@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Nathalie Girard
Senior Coordinator
n.girard@nbc.ca

Giuseppe Saltarelli
Desktop Publisher
giuseppe.saltarelli@nbc.ca

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