

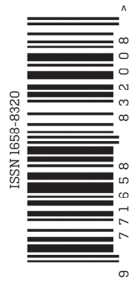


MONTHLY REPORT

# Iran Case File

April 2026

*Your window on Iran from inside and abroad*





MONTHLY REPORT



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April 2026

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## **EXECUTIVE SUMMARY**

While the world watches with apprehension, concerned about the possibility of renewed hostilities between the United States and Iran and the potential collapse of the Islamabad negotiations — with their wider implications for international peace, security and the global economy — Iran, during April 2026, experienced a series of rapid and layered developments across political, economic, social, military and intellectual spheres.

Iran's relations with Arab and international actors have also been shaped by complex interactions that are expected to influence its broader foreign policy direction, particularly in light of shifting US and Iranian positions on key issues in the ongoing negotiations. This includes the nuclear file, ballistic missile capabilities and questions of regional influence.

Domestically, the political debate has intensified over who will govern Iran in the post-Khamenei period, and who will ultimately control strategic decision-making that has oscillated between confrontation and diplomacy. This debate has been fueled by the prolonged absence from public view of Supreme Leader Mojtaba Khamenei following reports of his injury in US-Israeli airstrikes.

At the same time, divergences are reportedly widening among emerging power centers in the post-Khamenei landscape over unresolved core issues with the United States within the framework of the Pakistan-mediated negotiations. These disagreements have extended into parliamentary and media circles, contributing to a perceptible slowdown in strategic decision-making.

President Donald Trump's recent remarks only added further complexity as he questioned the cohesion of Iran's leadership and the unity of decision-making under Mojtaba Khamenei, emphasizing internal divisions between "hardliners"

and “moderates.” Iranian officials, however, reject the existence of such divisions in relation to negotiation terms with the United States, arguing that Trump’s statements reflect an attempt to construct a narrative for regime change and a refusal to accept Mojtaba Khomeini’s leadership as a *fait accompli*.

On the economic front, the US-Israel war on Iran has had severe repercussions on the Iranian domestic market. This is reflected in a 13% devaluation of the Iranian toman against the US dollar compared to pre-war levels, reaching 190,000 toman by early May 2026. Food inflation has surged to a record 112.5%, the highest level in 82 years, while overall annual inflation has climbed to 53.7%.

In addition, the stock exchange has remained closed for more than two months, marking an unprecedented disruption. The labor market has also been heavily affected, with the loss of over 130,000 direct jobs and around 600,000 indirect jobs. These pressures have been compounded by the naval blockade imposed since mid-April 2026, which is estimated to be costing Iran between \$400 million and \$500 million daily in foreign trade. Collectively, these developments point to a rapid erosion of purchasing power, rising unemployment and intensifying economic strain on Iranian society.

On the social front, the war continues to exert significant pressure on Iran’s internal situation. Among its stated objectives was the targeting of infrastructure, which further aggravated labor market damage and unemployment. These conditions are likely to increase public discontent and generate deeper social tensions, further weakening the leadership’s internal cohesion. As a result, Iranian authorities have been compelled to develop crisis-management strategies to contain growing public anger driven primarily by deteriorating living socioeconomic conditions, in an effort to prevent

protests during a period of heightened security sensitivity and the possibility of renewed conflict.

Militarily, the war’s unconventional fusion warfare tactics, puncturing the myth of US military invincibility, exposed vulnerabilities in US static infrastructure. It is noted that at least 16 US facilities across the region were disrupted, with some sites temporarily rendered inoperable. The limited official US disclosure regarding the extent of the damage, combined with Iran’s declared strike capabilities, has highlighted the gap between political narratives and operational realities. Iran’s use of coordinated offensive saturation tactics, including low-altitude flight profiles, strained US air defense systems and resulted in material and human losses. The US decision to halt the war thus reflected an acknowledgment of these dynamics, opening a phase of regional instability. In this context, both state and non-state actors under sanctions — leveraging capabilities and technologies accessible through global markets — are increasingly capable of challenging US unilateral dominance. This evolving reality is expected to persist, prompting calls for a reassessment of traditional US deterrence strategies in the Middle East.

In the ideological realm, the war revealed what can be described as a crisis of legitimacy and citizenship. This crisis is reflected in the contradiction between official rhetoric centered on national unity and the discourse of sectarian rapprochement adopted by the new Iranian leadership on the one hand, and exclusionary practices targeting the Sunni community on the other. The new Iranian leadership’s pragmatism was evinced in its attempt to secure allegiance from Sunni scholars as a source of religious and political legitimacy during wartime. In this context, the state simultaneously employed the language of religious unity

and the instruments of political repression, a duality that undermined narratives of internal harmony and suggested that proclaimed unity functions more as an ideological façade concealing unresolved social and political tensions.

More critically, internal divisions within the Sunni community — between a current inclined toward the official discourse and another embracing an oppositional stance from within religious institutions — indicated that the central divide is not merely between Sunnis and Shiites. Rather, it reflects a deeper crisis linked to the fragility of the social contract between Tehran and its geographically and identity-based peripheral communities. Therefore, unless governance legitimacy is grounded in justice, citizenship and genuine political participation rather than symbolic allegiance and media-driven engagement, critical religious and political voices — such as that of Molavi Abdolhamid — are likely to gain renewed legitimacy within popular and Sunni religious constituencies, posing a substantive internal challenge, the impact of which may exceed external pressures.

In parallel, Iran's relations with Arab and international actors were shaped by significant developments and strategic interactions during April 2026. In the Arab regional context, particularly in Iraq, shifting regional dynamics and external pressures influenced the domestic political landscape. A prior political deadlock stemming from Nouri al-Maliki's insistence on retaining the premiership following a US veto gradually dissipated, leading to the official nomination of businessman Ali al-Zaidi as the new prime minister and the initiation of government formation. Despite his administrative experience in banking and legal sectors — which supporters view as giving him a technocratic profile conducive to addressing economic and financial

challenges — his limited political and security background raises questions about his ability to manage Iraq's complex governance environment. Although his nomination received broad acceptance from Shiite, Sunni and Kurdish forces, as well as endorsement from several Arab, Gulf and European countries, and notably the United States, he nonetheless faces accumulated structural challenges inherited from previous Iraqi governments. These include managing internal power-sharing tensions during cabinet formation, addressing deteriorating security and economic conditions alongside complex service crises and navigating sensitive foreign policy constraints. This entails maintaining strategic partnership with the United States while avoiding confrontation with Iran and armed factions, alongside strengthening Iraq's Arab, Gulf and regional relations within a persistently difficult and delicate equilibrium.

In Yemen, the Houthi group continues to act in ways that disregard Yemen, its population and its national security, thereby placing state interests at risk in favor of elevating its relationship with Iran to what is described as an openly strategic level. In this framing, the group is portrayed as advancing an agenda aligned with Iranian priorities, with an emphasis on serving Iran's interests and broader strategic objectives.

Accordingly, Houthi attacks on certain Israeli targets are described as having escalated after a phase of involvement in the regional conflict characterized by fluctuation between withdrawal and calculated engagement. These operations carry strategic signals linked more to the Iranian position than to a direct attempt to shift the regional balance of power. Leveraging the Bab al-Mandab Strait through the Houthis with the aim of tightening pressure on international shipping routes in a manner analogous

to the strategic closure of the Strait of Hormuz represents part of Iran's strategy.

On the Iranian-Israeli front, Israel is maintaining readiness to resume war against Iran, anticipating the possible collapse of the truce with the United States. This ambiguity is attributed to the escalating crisis surrounding the Strait of Hormuz, stalled US-Iran negotiations in Islamabad and widening disagreements over key issues, including uranium enrichment at 60%, ballistic missile ranges, regional security arrangements, continued violations of the ceasefire on the Lebanese front and reciprocal threats of renewed conflict. Israel is thus favoring a renewed war aimed at achieving a strategic objective involving regime change in Iran, while the US administration is rejecting such an option due to the costs incurred in the previous round of fighting.

Concurrently, Russia-Iran relations were foregrounded through the visit of Iranian Foreign Minister Abbas Araghchi to Moscow, where he met with Russian Foreign Minister Sergey Lavrov and later with President Vladimir Putin. The

visit occurred at a sensitive moment for Iran, amid the broader repercussions of the war, which have further complicated its challenges. Araghchi's trip was part of an effort to underscore Iran's regional and international presence, following a tour that also included Pakistan and Oman, and conveyed Tehran's disregard for US-imposed sanctions and the security risks facing Iranian officials under a fragile truce. Within this context, supportive Russian and Chinese positions are providing Tehran with operational flexibility and additional time to manage naval defense measures. Russia, in particular, maintains a measured level of military support guided by several considerations, including preserving what is described as Trump's relatively less confrontational stance toward Russia in its war with Ukraine, potential economic gains linked to higher oil prices and oil market dynamics and concerns that deeper involvement in Iran could prompt increased US military assistance to Ukraine, thereby altering the balance in the Russia-Ukraine war to Moscow's disadvantage.

## **DEVELOPMENTS IN IRAN'S INTERNAL AFFAIR**

The US-Israel war against Iran continues to adversely impact the Iranian interior across political, economic, social, military and ideological spheres. Citing the dangers posed by Iran's nuclear program, ballistic missile development and expansionist orientations, through a series of devastating strikes, the United States and Israel sought to dismantle Tehran's centers of gravity and state institutions, erode its capabilities and resources and incite insurrection with the ultimate aim of precipitating state collapse.

## **Intensifying Leadership Debate in Post-Khamenei Iran**

Indicating what many observers describe as a state of uncertainty and internal confusion within the Iranian establishment in the post-Khamenei era regarding strategic decision-making, the Iranian political scene is witnessing an intensifying debate over who will hold the reins of power following the assassination of Ali Khamenei in a US-Israeli airstrike on the opening day of the US-Israel-Iran war. The debate has been amplified by the prolonged absence of Mojtaba Khamenei from public view for more than 40 days following his assumption of power, amid recurring statements by US President Donald Trump questioning the cohesion of the Iranian establishment under his leadership.

Thus, this file is structured around four principal themes. The first examines Mojtaba Khamenei's absence and the uncertainty regarding the extent of his injuries in the US-Israeli strike which killed his father and other family members. The second outlines the principal centers of decision-making and influence in Iran following the killing of Ali Khamenei. The third addresses the expansion of political disagreements into Parliament and the media sphere. The fourth analyzes the US narrative regarding governance in Iran in the post-Khamenei era.

### **Mojtaba Khamenei's Absence Fuels Speculation About His Condition**

The prolonged absence of Mojtaba Khamenei from public view, coupled with the circulation of reportedly AI-generated images attributed to him, have become central elements in arguments advanced by proponents of the narrative questioning who will ultimately govern Iran following the killing of Ali Khamenei. A report published by The New York Times described Mojtaba Khamenei's

condition as critical, citing reports of serious injuries, facial disfigurement and leg wounds that may have required urgent surgery. According to the report, he communicates with Iranian officials primarily through handwritten messages. It further stated that, although his cognitive condition remains stable, the severity of his injuries has reportedly made speaking difficult and contributed to his avoidance of public video appearances out of concern over appearing physically weakened.<sup>(1)</sup>

Mojtaba Khamenei's continued absence from the public sphere has fueled questions regarding his ability to govern and make strategic decisions during what is widely viewed as a highly sensitive period for both the Iranian establishment and the country as a whole. More than 40 days have passed since he assumed the role of supreme leader following the events of February 28, 2026. This prolonged absence of Iran's ultimate decision-maker is viewed by some observers as a factor that could delay or complicate US-Iran negotiations and hinder progress on contentious issues.

To mitigate the repercussions of Mojtaba Khamenei's absence, the Assembly of Experts has repeatedly emphasized a narrative centered on unity, cohesion and internal solidarity, "O noble people of Iran, after nearly 60 days of internal mobilization and struggle in the squares and streets, stemming from the boiling collective will and in coordination with the heads of the authorities, the armed forces, and the revolutionary negotiating team, which complies with the orders of the Supreme Leader, Mojtaba Khamenei, as the final word; it is imperative to preserve the sacred cohesion and unity that has manifested and continues to manifest as a religious and national necessity in the words of the late Supreme Leader and the statements of his successor; and in order to thwart the schemes of the

enemies who incite division, everyone must pay attention to this matter.”<sup>(2)</sup> This indicates an awareness among establishment figures of the political and institutional implications of Mojtaba Khamenei’s absence from the public scene.

### **Post-Khamenei, Multiple Heads and Power Centers**

Tehran’s response to US demands<sup>(3)</sup> in the ongoing negotiations in Islamabad is seen as a key test of the primary center of gravity in Iranian strategic decision-making in the post-Khamenei era. It also reinforces the ongoing debate over who effectively governs Iran under Mojtaba Khamenei, amid the existence of multiple centers of influence with divergent approaches to negotiations with the United States.

### **The Islamic Revolutionary Guard Corps**

Reports suggest that following the succession of Mojtaba Khamenei as supreme leader and particularly amid concerns over his condition, power has been largely concentrated within the Islamic Revolutionary Guard Corps (IRGC). As a result, decisive influence in the negotiations rests with the IRGC, given its control over military capabilities, state resources and its strategic role related to the Strait of Hormuz. From this perspective, the IRGC is described as rejecting concessions to the United States based on its internal strategic calculations, arguing that such concessions could endanger the future of the system and, by extension, its own institutional interests and accumulated economic influence tied to the continuity of the ruling order.

### **The Ghalibaf-Pezeshkian Bloc**

This axis, represented by the speaker of Parliament and the president, is portrayed as advocating a pragmatic approach aimed at ending the war through a negotiated settlement with the United States, in order to preserve the system

and transition toward a new phase of governance. Mohammad Bagher Ghalibaf, in particular, is described as having played a prominent role since the advent of Mojtaba Khamenei’s leadership, with some comparisons drawn to the role of Akbar Hashemi Rafsanjani during the Iran-Iraq War. However, despite their reform-oriented inclinations, this bloc is seen as lacking the decisive power required to finalize or impose a comprehensive agreement.

### **The Younger Clerical Movement**

Mojtaba Khamenei is described as exerting notable influence within a newer generation of clerics, given his seminary background and long period of religious study spanning more than two decades. This has enabled him to build extensive networks with teachers, students and peers within the seminary system. His position is thus presented as resonating strongly with segments of the younger religious elite, who are seen as more closely aligned with his profile and whose orientations overlap in some cases with elements of the military elite within the IRGC, particularly those influenced by revolutionary ideological currents.

### **Disagreements Extending to the Majles and Media**

Disagreements over the negotiating position spilled over into both parliamentary debates and the press. On one side, 261 members of Parliament signed a statement supporting the negotiating team headed by Ghalibaf, which stated, “The enemy seeks to create a rift in the front lines and on the street, and in the diplomatic channels between regime officials and the people.” The statement further emphasized that “the enemy is fully aware that the main factor in its defeat on the military front is the unity and cohesion of the Iranian people, and their support for the leaders and the field.” It added that “the United States and Israel

are attempting to sow distrust among officials, including the negotiating team, through fabricated and incomplete narratives, inciting disputes among officials, and creating a state of confusion among the public.”<sup>(4)</sup>

On the other side, some members of Parliament<sup>(5)</sup> aligned with Saeed Jalili’s faction and the Steadfastness Front refused to sign the statement supporting Ghalibaf. The Steadfastness Front itself has been a source of extensive criticism against the policies of the negotiating team, with some “hardliner” figures describing their positions as “tearing apart unity,”<sup>(6)</sup> arguing that the negotiating team under Ghalibaf is adopting a level of flexibility inconsistent with ideological principles.

A parallel media dispute also emerged between outlets affiliated with different “conservative” currents. A campaign of criticism developed between Tasnim News Agency and the magazine Khat-e Hezbollah (linked to the Khamenei.ir website), on one side, and the Raja News website, close to Saeed Jalili, on the other, concerning interpretations of the supreme leader’s red lines<sup>(7)</sup> for ending the war. Raja News, associated with Meysam Nili, brother-in-law of the late Iranian President Ebrahim Raisi, criticized an article published in Khat-e Hezbollah, that suggested the red lines should be viewed as a flexible element within the negotiation process. The disputed passage argued that “the red lines were not the goal of the negotiations, but rather a ‘tool’ to reach the goal,” adding that “these lines do not function like ‘mines,’”<sup>(8)</sup> implying that they should not be treated as absolute or rigid constraints.

The website also criticized Tasnim News Agency for describing the government’s conditions for ending the war as “magic beans,” a sarcastic expression that was interpreted as portraying the supreme leader’s demands as unrealis-

tic. The term reportedly provoked strong reactions among activists and segments of the public, with reports indicating that a banner reading “The Supreme Leader’s Red Lines” was displayed near the agency, in an implicit message that these red lines should not be crossed. The website interpreted both Tasnim’s sarcastic wording and the related magazine commentary as part of a broader tendency toward flexible or unrestrained interpretations of the supreme leader’s explicitly stated red lines for ending the war, suggesting that such boundaries were being treated not as fixed principles but as tactical instruments within political discourse.

In response, Tasnim News Agency criticized Raja News, describing it as an “organized and suspicious current” seeking to “stir up discord” and advance what it characterized as alignment with Trump’s agenda through actions aimed at undermining unity among the country’s leadership.<sup>(9)</sup> However, this framing was questioned by some observers, who pointed to the outlet’s longstanding alignment with the supreme leader and its consistent adherence to revolutionary principles and stated red lines over an extended period.

### **The US Narrative on Who Currently Rules Iran**

Trump has continued to comment on what he describes as an internal power struggle within the Iranian system in the post-Khamenei era, likening it to a conflict between “cats and dogs,” in his characterization, based on divergent positions regarding negotiations on key disputed issues. His remarks come amid continuing uncertainty over the trajectory of diplomatic efforts in Islamabad. Trump has argued that Iran is experiencing difficulty in identifying a clear leadership structure, portraying the situation as a contest between “hardliners,” whom he claims are suffering significant battlefield losses, and “reformist” figures,

whom he nonetheless considers distant from being genuinely “moderate.”

In contrast, the Iranian leadership has consistently denied the existence of internal fragmentation, emphasizing unity and absolute loyalty to Mojtaba Khamenei. Ghalibaf, whom Trump categorizes as a “moderate” with whom negotiations may be possible, stated, “We do not have moderates and hardliners in Iran; we are all Iranians and revolutionaries, and with steely unity between the nation and the state, and with complete obedience to the Supreme Leader, we will make the criminal aggressor regret his actions. One God, one leader, one nation, and one path — the path of victory for Iran, more precious than life.”<sup>(10)</sup>

Some observers have sought to downplay the broader narrative surrounding who governs Iran in general, and Trump’s interpretation in particular, linking his emphasis on alleged divisions among Iranian leaders to a political effort aimed at reinforcing his claim of having achieved the war’s objective of regime change in Iran. Others argue that his rhetoric reflects a refusal to accept Mojtaba Khamenei’s rise to power as a settled outcome, driven in part by his insistence on positioning himself as a central actor in determining the succession after Ali Khamenei. From this perspective, such a narrative is seen as an attempt to portray the new leadership under Mojtaba Khamenei as unstable and incapable of making decisive choices on domestic and foreign policy.

By contrast, the Iranian narrative maintains that developments following Mojtaba Khamenei’s rise demonstrate institutional cohesion and the system’s ability to withstand pressure while retaining control over key instruments of power. It also emphasizes the continued mobilization of a broad support base that expanded during the war and has been actively sustained in response to

US-Israeli strikes. This mobilization is described as being organized through interconnected networks of influence, including the IRGC, younger clerical circles, seminaries, media institutions and religious eulogists, collectively characterized by some analysts as a form of “deep state” structure within the emerging power configuration under Mojtaba Khamenei’s leadership.

This perspective further argues that Mojtaba Khamenei’s assumption of leadership, as recognized by the Assembly of Experts, should not be understood as a simple hereditary or symbolic transfer of authority, but rather as the outcome of a consolidated alliance between segments of the clerical establishment and the revolutionary military apparatus. In this reading, the arrangement reflects the system’s continued control over key state institutions, the reinforcement of a “resistance” doctrine as a strategic constant and the consolidation of a governance model in which militarized logic remains dominant, while “reformist” or “moderate” voices are significantly constrained, particularly under conditions of war.

### **Conclusion**

The discrepancy between the Iranian and US narratives regarding internal differences among Iranian leaders during the era of Khamenei’s son reflects an ongoing debate inside Iran over the question of who effectively governs the country. This debate is rooted in the prolonged absence of the new supreme leader from the public sphere, alongside growing disagreements among state institutions and political figures over core issues related to Washington and Tel Aviv, with these tensions increasingly spilling over into Iranian media discourse. In addition, the comparatively slower pace of strategic decision-making on negotiations, when measured against earlier periods, is interpreted as evidence of an internal contest within the emerging leadership

structure between approaches favoring confrontation and those advocating diplomacy. This dynamic is presented as requiring additional time to narrow differences and reach workable understandings.

### The Consequences of Two Months of War on Iranian Markets

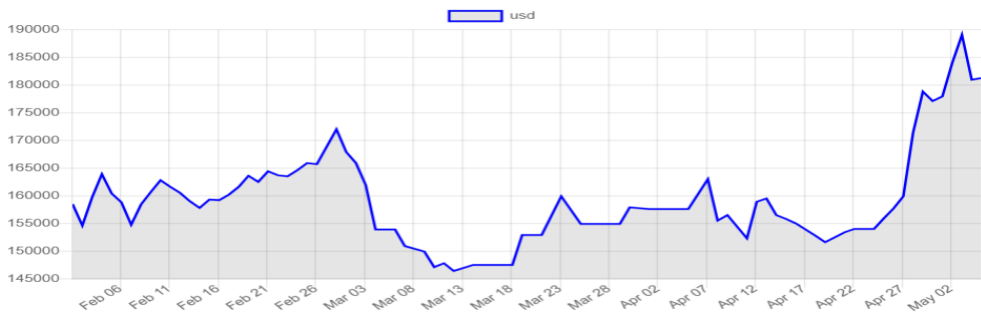
The April Economic File assesses the impact of the joint US-Israel war against Iran on the domestic situation, with a particular focus on its effects on local markets. This assessment comes more than two months after the outbreak of the war, which targeted key sectors of the Iranian economy and strategic infrastructure, including energy, petrochemicals, steel, ports, bridges, commercial logistics, banking systems, power plants and other essential facilities, resulting in significant losses and wide-ranging consequences (see the Economic File for March 2026 for further details).

Local markets were not spared from the impact of the war and are reported to have borne a substantial share of the disruption, given the conflict's direct effect on the functioning of a large consumer economy such as Iran's and on the daily lives of a population exceeding 90 million people. Pressure on domestic markets reportedly intensified following the imposition of a naval blockade on Iran on April 13, 2026, alongside broader constraints on foreign trade, government revenues and the overall economic system.

### The Exchange Rate

The exchange rate of the domestic currency against the US dollar reached approximately 190,000 tomans per dollar at the beginning of May 2026, compared to around 165,000 tomans per dollar prior to the outbreak of war on February 28 (see Figure 1). This indicates that the Iranian currency lost about 13% of its value against the US dollar in roughly two months.

**Figure 1: Toman/Dollar Exchange Rate (February 2026-March 2026)**



Source: bonbast.com

The imposition of a US naval blockade on Iranian coastal routes since mid-April 2026 is a decisive factor in the rapid decline of the currency's value. This development is attributed to the loss of [an estimated \\$400 to \\$500 million per day](#) in vital foreign trade flows, including oil and petrochemical exports, which consti-

tute the main source of foreign currency inflows. The resulting scarcity of foreign currency in domestic markets is the primary supply-side driver of the exchange rate deterioration. On the demand side, rising domestic demand for foreign currency, driven by efforts to preserve asset value, is an additional contributing fac-

tor. The interaction between constrained supply and increased demand created sustained pressure on the exchange rate, contributing to the depreciation. This currency decline, in turn, is linked to upward pressure on domestic price levels, a development that is examined further in the subsequent section.

### **Inflation Rates**

The war resulted in exceptionally sharp price increases in Iran, particularly in the

food sector. Food price inflation, measured on a point-to-point basis, reached 112.5% in March 2026 compared to March 2025, marking the highest level recorded in the country in 82 years, since 1943 during World War II when Iranian territory was under occupation, according to official statistics from the Statistical Center of Iran.

At the same time, the overall consumer price index, or annual inflation rate, reached 53.7% by April (see Table 1).<sup>(11)</sup>

**Table 1: The Annual Consumer Price Index (January 2026-April 2026)**

April 2026	53.7%
March 2026	50.7%
February 2026	47.5%
January 2026	44.6%

**Source:** Statistical Center of Iran

A review of food price inflation indicators highlights the exceptional pressure placed on Iranian households in meeting basic needs, particularly the food basket of middle- and lower-income groups. Prices of oils and fats reportedly increased by 219%, while bread, grains, legumes and red meat rose by 140%, alongside varying increases in the prices of eggs, poultry, cheese and dairy products.

These developments contributed to a cumulative rise in the food price index exceeding 100% over a relatively short period since the start of the war, with some reports indicating weekly increases of up to [35%](#). In the absence of a corresponding rise in wages and incomes sufficient to preserve purchasing power, even with the government's decision to raise the minimum wage by 60%, households are increasingly forced to reduce consumption or eliminate certain items from their diets.

This sharp rise in food prices, combined with declining purchasing power,

carries significant short- and medium-term implications. In the short term, it risks pushing segments of the middle class into lower-income brackets, expanding the scope of poverty and contributing to nutritional and health imbalances. Over time, such conditions may also affect productivity and mental health, with potential spillover effects on broader social stability and security.

### **Capital Markets**

From the first day of the war, Iran suspended trading on its stock market, and this closure has remained in place for more than two months as of the date of the publication of this file, with the exception of limited activity in certain specialized funds such as income and gold. This measure is unprecedented in the history of the Iranian stock exchange. The decision was taken by the government out of concern over speculative practices and potential waves of rapid selling that could have driven down major market indices and erased substantial amounts of liquidity.

At the same time, the prolonged suspension of trading carries negative consequences. It has frozen the liquidity of individual investors and reduced the real value of their holdings amid high inflation. It has also disrupted financing channels and cash flows for companies, affecting both their current operations and future activities, while weakening overall investor confidence. In addition, there is a continued risk that, upon re-opening, the market could experience a sharp decline in major indices as investors attempt to secure liquidity or exit their positions.

### **Internal Trade**

In the absence of comprehensive official data, scattered testimonies and partial statistics have emerged regarding the war's adverse impact on domestic trade. This impact has been further intensified by the naval blockade imposed on Iranian coastal areas, which is restricting the inflow of a substantial share of consumer goods and raw materials essential for food production and industrial activity. These imports had previously entered the country primarily through southern seaports, which account for a major portion of Iran's foreign trade.

Reports from within Iran indicate frequent shop closures due to merchants' inability to sustain operations or meet rental obligations, alongside a general [decline in sales activity](#). At the same time, some traders reportedly resorted to [hoarding and price manipulation](#) in order to benefit from the crisis and rising price levels. In parallel, building material prices increased by an estimated 50% to 60%, attributed to disruptions and damage [in the petrochemical and steel sectors](#). Collectively, these developments underscore the significant negative impact of the war on the domestic trade sector.

### **Unemployment**

The war has dealt a severe blow to Iran's private-sector labor market, alongside reported delays in salary payments within some government departments. Various statistics point to significant unemployment effects, including the loss of 130,000 direct jobs (among them approximately 8,000 in a single sector such as hotels) and around 600,000 indirect jobs during the course of the war, according to statements attributed to [the secretary-general of the Iranian Workers' House](#). [Independent](#) local estimates further suggest that unemployment could reach as high as 2 million people.

On the other hand, the government's decision to raise the minimum wage by 60% may have unintended consequences for employers, potentially pushing some toward workforce reductions. This risk is linked to the combined effects of ongoing conflict and rising prices, which have weakened sales and purchasing activity and contributed to broader market stagnation. Such developments are expected to weigh on overall economic growth, particularly given that the services sector accounts for more than 50% of Iran's GDP and represents the largest contributor to both output and employment in the country.

### **Conclusion**

The war has not only affected key pillars of the Iranian economy and state financial resources, but has also further strained the already difficult daily living conditions of the population. Household budgets have come under increasing pressure amid unprecedented challenges and crises that predated the conflict, in addition to the loss of hundreds of thousands of jobs. It is evident that the Iranian economy is currently facing exceptional and multilayered pressures, where the direct effects of the war on infrastructure intersect with the consequences of the naval blockade on foreign trade. These

combined factors are reflected in the daily reality of ordinary citizens through rapidly declining purchasing power and a growing expansion of unemployment and poverty. Unless these accumulated pressures are effectively addressed, the risks may extend beyond economic and living-standard deterioration to broader social and political instability, driven by increasing public discontent and dissatisfaction with state policies.

### **The Social Implications of the War on Iran's Labor Market**

Numerous Iranian specialists and activists have warned of a rise in unemployment and a growing withdrawal of Iranians from the labor market as a consequence of the repercussions stemming from the joint US-Israel war against Iran. According to these assessments, the conflict and its economic fallout have contributed to recessionary conditions across major economic, productive and infrastructure sectors, leaving millions unemployed and exposing large segments of society to mounting financial pressures and worsening poverty.

In response to these conditions, the Iranian government has sought to adopt strategies aimed at containing the crisis and mitigating its social consequences amid continuing uncertainty over the future trajectory of the war and the prospects of reaching a comprehensive agreement that could bring an end to sanctions. Against this backdrop, the social file is organized into two principal sections: first, an examination of unemployment conditions in light of the war's repercussions; and second, an analysis of the Iranian government's strategies and broader approach toward addressing the unemployment crisis.

### **The War's Implications for Unemployment in Iran**

The war imposed substantial costs on Iran by targeting major industrial sec-

tors, particularly the iron, steel and petrochemical industries, all of which are closely connected to a wide range of economic and service activities. Infrastructure was also affected, with targeting frequently justified on the grounds of halting military supplies. These developments contributed to the suspension of numerous civilian activities across the country.

At the same time, the Iranian government imposed internet restrictions for security reasons, a measure that further disrupted activity in a sector regarded as vital to both domestic and international trade. These disruptions coincided with the continuing US embargo and broader international sanctions regime. Collectively, these factors compounded existing economic and social challenges across multiple sectors and intensified pressure on the Iranian labor market, which had already been facing severe difficulties. Conditions further deteriorated with interruptions in production and supply chains and the withdrawal of numerous businesses and activities from the labor market.

According to Sina Sheikhi, director of the Social Capital Group at the Parliamentary Research Center, the number of people who became unemployed as a result of the war reached approximately 2million.<sup>(12)</sup>

Some sectors have also turned to measures such as reducing wages, eliminating salary bonuses, or shifting toward part-time contracts and suspending existing employment contracts rather than terminating them outright. These developments have coincided with a rising cost of living and a decline in purchasing power, driven by the country's high annual inflation rate, which, according to the Central Bank, reached approximately 50.6% by the end of April 2026.<sup>(13)</sup>

Together, these factors have eroded household income and savings, in-

creased job and social insecurity, and are expected to generate a range of broader social pressures linked to difficulties in securing basic needs, including living expenses, healthcare, education and housing. Over time, such conditions may also contribute to significant shifts in the demographic structure of Iranian society.

### **Concerns About the Outbreak of New Popular Protests**

The Iranian labor market has reportedly lost a significant portion of its human capital as a result of the war's repercussions across multiple sectors, a development that has intensified internal economic pressures and, according to some assessments, could contribute to public protests and social unrest. In response, the Iranian authorities have introduced a series of measures aimed at mitigating the crisis, particularly amid ongoing uncertainty regarding the war's aftermath and concerns over its possible resurgence.

Among the most notable steps taken by the government are increased unemployment insurance support and the establishment of a system for publicly registering unemployed individuals under the supervision of the Ministry of Labor.<sup>(14)</sup> In the housing sector, Maskan Bank has reportedly provided temporary housing loans of approximately 700 million tomans to those affected by the war.<sup>(15)</sup> The government has also launched relief initiatives such as the "Iran Maher Relief Project" and the "Energy Ambassadors" program, which focuses on workforce training and skills development.<sup>(16)</sup>

In parallel, the Ministry of Welfare has proposed several initiatives to compensate for food inflation, in line with Article 3 of the "Food Security Guarantee" resolution. The program aims to periodically adjust the value of electronic food vouchers to reflect inflation and ensure a minimum level of food security for citizens.<sup>(17)</sup> According to a spokesperson for the Food and Drug Administra-

tion, \$3.2 billion in foreign currency has been allocated for medicines and medical equipment.<sup>(18)</sup> This set of measures is further complemented by a draft bill proposing the establishment of a Ministry of Prevention and Crisis Management.<sup>(19)</sup>

### **Conclusion**

With the continued rise in unemployment and the outflow of human capital from the labor market, social tensions in Iran may increase in the coming period, driven by the state's limited capacity to meet the minimum needs of citizens within the labor market. Under the combined pressures of war and sanctions, the strategies pursued by the government are unlikely to be sufficient to resolve the underlying crisis, unless there is a more realistic and rapid recalibration of both internal and external policies commensurate with the scale of the challenge.

No matter how comprehensive the interim plans may appear, their practical effectiveness remains constrained, given the breadth of the crisis affecting large segments of the population and the limited availability of resources. In this context, it is difficult for such measures to achieve their intended objectives under conditions of sustained conflict and economic pressure.

### **Strategic Significations of US Vulnerabilities and Losses in the Iran War**

The US-Iran war marks a pivotal moment in contemporary military history. Iranian military responses have challenged the longstanding perception that US military bases in the Middle East are largely immune from direct attack. The conflict has exposed an emerging strategic reality in which US military infrastructure across the region, once considered unassailable, has become increasingly susceptible to a new generation of military tactics combining elements of asymmetric and conventional warfare.

Against this backdrop, the file is organized into three principal sections: first, an evaluation of Iranian strikes targeting US bases and assets; second, an examination of how Iran sought to exploit vulnerabilities within US military deployments during the war; and third, an assessment of the scale of US strategic losses and damage.

### **Iranian Strikes Against US Assets**

An assessment of US losses, based on field intelligence gathered from multiple theaters of war, suggests that Iranian military responses, marked by a level of speed and precision unprecedented even in comparison with the 12-Day War, disrupted at least 16 US facilities across the Middle East, with some rendered temporarily inoperative.<sup>(20)</sup> This Iranian operational achievement was attributed not only to increased firepower, but also to what appeared to be a technological advancement in Iranian intelligence, surveillance and reconnaissance capabilities, acquired through external support. These capabilities enabled Tehran to penetrate the protective shields surrounding US bases in the region.

Western intelligence reports pointed to a prominent role played by Chinese technical assistance in strengthening Iranian military capabilities. According to these reports, Chinese technological support contributed significantly to the strategic surprise achieved by Iran in targeting US assets across the region. Particular attention was directed toward the high-resolution Chinese reconnaissance satellite TEE-01B, which Tehran reportedly received through an innovative 'in-orbit' transfer model by Earth Eye Co. The arrangement enabled the transfer to bypass conventional export restrictions. According to the same reports, the satellite was delivered to Iran after its launch into space<sup>(21)</sup> and was subsequently used to enhance Iranian aerial targeting capabilities against US positions.

The acquisition provided the Islamic Revolutionary Guard Corps (IRGC) with highly precise imagery at a resolution of up to half a meter, a significant improvement over the 5-meter resolution associated with Iran's domestically produced Noor-3 satellites. This capability enabled Iran during the war to identify US fighter aircraft with greater precision and to conduct more accurate evaluations of damage inflicted on US infrastructure, a capability previously reserved for major powers.

In addition, the IRGC reduced the vulnerability of its own infrastructure to US-Israeli strikes by linking its systems to a global network of stations operated by Chinese companies in Beijing. This technological development reportedly transformed the battlefield from a largely opaque environment into one with relative operational transparency for the Iranian military. It enabled Iranian planners to gain a clearer understanding of the deployment patterns of US defense systems, while also improving their ability to monitor troop movements and the timing of military strikes with greater accuracy.

### **Iran's Exploitation of US Military Vulnerabilities**

Benefiting from precise intelligence obtained through Chinese satellite technology, Iranian forces launched a sophisticated saturation offensive aimed at exploiting vulnerabilities within the US military posture in the region. The operation relied on a combination of conventional capabilities and domestically developed aerial systems designed to overwhelm US air defense networks. One of the campaign's most notable reported achievements was the penetration of Camp Buehring by a modified F-5 Tiger II fighter jet. The aircraft, originally acquired by Iran during the reign of the shah in the 1970s, dated back to the Cold War era but had undergone extensive

modernization. The upgrades included the integration of domestically produced avionics, digital flight displays and more advanced radar systems.

Iranian pilots also exploited a significant vulnerability in the Patriot missile system's ability to detect and intercept low-altitude threats. The Iranian fighter aircraft flew at extremely low altitudes and at relatively slow, subsonic speeds, enabling it to evade radar systems primarily configured to identify higher-altitude threats.<sup>(22)</sup> This maneuver allowed the aircraft to deliver unguided bombs against command centers and fuel depots, an operation that surprised US military officials and exposed a serious weakness in existing defense assumptions.

The penetration was not an isolated incident, but formed part of a broader, coordinated assault involving Shahed-136 suicide drones, Fateh-110 missiles and Sukhoi Su-24 attack aircraft.<sup>(23)</sup> This saturation strategy forced Patriot system operators to prioritize among multiple incoming threats, contributing to the depletion of interceptor missile stocks.

### **US Losses and Strategic Damage**

Iran was not the sole party to incur losses in the war, as the United States also sustained significant human and material costs as a result of the Iranian retaliation. An analysis by The Washington Post, based on satellite imagery, concluded that Iranian strikes targeting US positions across the Middle East damaged or destroyed at least 228 buildings and pieces of equipment at 15 US military installations.<sup>(24)</sup> According to the analysis, the damage affected aircraft hangars, barracks, fuel depots, as well as critical radar and communications infrastructure. High-value military assets, including Boeing E-3 Sentry surveillance aircraft, were destroyed, while the headquarters of the US Fifth Fleet in Bahrain was said to have suffered extensive damage that necessitated its relocation to Florida.

The human toll was substantially greater than that of the 12-Day War, with seven soldiers reportedly killed and more than 400 wounded, including 12 in critical condition. Financial estimates indicated that repair costs for affected US bases could exceed \$5 billion, excluding the value of destroyed aircraft, the depletion of interceptor missile stockpiles, and the reported expenditure of \$11.3 billion on munitions during the opening weeks of the conflict.

At the strategic level, the campaign exposed shortcomings in US military preparedness. US planners had underestimated Iran's capacity for resilience while failing to adequately address the growing threat posed by low-cost, high-precision drones, a lesson that had become increasingly evident during the war in Ukraine but was insufficiently reflected in US defense planning for the Arabian Gulf. In addition, the continued reliance on fixed military bases in a region where the protection of strategic interests has become increasingly complex and technologically driven left US forces exposed to precise and direct Iranian strikes.

### **Conclusion**

The initial secrecy surrounding the scale of US losses and damage, including reports that commercial satellite companies were pressured to withhold imagery related to the Iranian F-5 fighter jet attack for nearly two months, also raised broader questions regarding the balance between perception management and operational realities. According to a number of military analysts, the conflict ultimately compelled US strategic planners to reconsider the deployment and positioning of US forces across the Middle East. The war was therefore signaling the erosion of an era of uncontested regional dominance and the emergence of a more fragile and volatile phase of regional confrontation.

Within this evolving environment,

traditional fixed military bases appear increasingly vulnerable in the face of disruptive technological developments and asymmetric threats. The conflict also highlighted a broader transformation in modern warfare, namely the growing ability of non-state actors, as well as states operating under sanctions, to exploit global cyber and technology markets in order to acquire intelligence and surveillance capabilities once associated primarily with major powers. In this context, the war underscored the limitations of the United States' conventional deterrence advantages when confronted with Iran's expanding asymmetric military and technological capabilities.

### **Between Zahedan and Hormozgan: Sunni Divisions and the Iranian Establishment's Conundrum**

During wartime, Iranian leaders have sought to reinforce internal cohesion amid concerns that domestic protests could intensify pressure on the state, and potentially be used by adversaries to justify continued hostilities, or create openings for broader opposition movements. In this context, Supreme Leader Mojtaba Khamenei's address to the Sunni community in Hormozgan was presented as an effort to strengthen political legitimacy during the conflict. While parts of the Sunni community reportedly welcomed the message, a prominent historical Sunni figure, despite expressing alignment with Tehran in opposition to what was described as "aggression," also criticized aspects of state policy, including during wartime conditions. He called for dialogue with citizens and urged revisions in both domestic and foreign policy approaches.

### **The Sunnis Between Mojtaba's Message and Molavi Abdolhamid's Criticisms**

Molavi Abdolhamid made tough remarks that reflected a clearly critical stance to-

ward Iranian domestic policies. He criticized what he described as extremism in the state administration, condemning executions and the confiscation of property belonging to dissidents. He argued that such policies were harmful to the country and its people and contributed to public dissatisfaction.

He specifically criticized the judiciary's approach of expanding executions, "We have always said, 'Do not execute people.' Execution harms the country, the people, and sovereignty, and leads to public discontent." Regarding property confiscation, he added, "Confiscating property angers God and the people, and it is not permissible to confiscate the property of dissidents."<sup>(25)</sup> He also emphasized the need for a strong and independent diplomatic approach free from hardline pressures, calling for a fundamental reassessment of existing policies. He called for resolution through dialogue, justice and freedom, while rejecting war and the suffering and destruction it causes.

In contrast, an official discourse emerged presenting a different perspective. Mojtaba Khamenei praised the positions of Sunni scholars in Hormozgan Province, commending their support and expressions of solidarity with the Iranian leadership, while emphasizing national unity and cohesion among different segments of society. This framing was presented as evidence of the role of religious scholars and elites in reinforcing stability and advancing state objectives within a broader effort to highlight internal harmony and strengthen political and religious legitimacy amid ongoing challenges.

In the same context, the supreme leader's provincial representative reportedly claimed that Sunni scholars had pledged allegiance to Mojtaba Khamenei as a national leader, presenting this as evidence of their awareness, loyalty and commit-

ment to the values of the revolution.<sup>(26)</sup>

### **Political and Religious Dimensions of Molavi Abdolhamid's Remarks**

Abdolhamid's criticisms emerge at a highly sensitive juncture in contemporary Iranian history, marked by palpable tensions within the political system between "hardliner" forces and "reformist" currents. His outspoken condemnation of executions and the confiscation of property belonging to dissidents reflects a broader crisis of legitimacy that the ruling elite is attempting to manage. This crisis suggests a diminishing capacity of the state to handle dissent through non-repressive means. His call for a robust diplomacy with full authority implicitly critiques radical factions that obstruct negotiations, limit the state's strategic options during crises and threaten Iran's stability.

However, the picture becomes more complex when his remarks are considered alongside the message attributed to the supreme leader directed at Sunni scholars in Hormozgan. While Abdolhamid voices criticism from Zahedan, state institutions in Tehran simultaneously seek to construct symbolic bridges with Sunni communities through expressions of gratitude, religious solidarity and appeals to Islamic unity. The simultaneity of these developments is represents a dual strategy that combines enhanced security measures with religious containment at a sensitive political transitional period that requires delicate management of sectarian tensions.

Furthermore, this discourse is closely tied to the distinctive position of Abdolhamid as a Sunni religious leader in Sistan-Balochistan Province. His voice is often presented not merely as individual commentary, but as reflective of the sentiment of marginalized segments of the Sunni community.

Conversely, the initiative of Sunni ac-

tors in Hormozgan to express allegiance to the new supreme leader and condemn Israeli operations indicates a divergence within Iran's Sunni community. One current seeks partial integration within the official discourse, while another maintains a more cautious and critical distance. This internal divergence provides Tehran with greater room for maneuver, while simultaneously limiting the emergence of a unified Sunni political stance capable of exerting coordinated influence over decision-making in the capital or functioning as a cohesive force for broader political change.

### **The Significance of Abdolhamid's Critical Remarks and the Crises Facing the Political Establishment**

Together, the two developments, Abdolhamid's criticism of hardline policies and the message of Mojtaba Khamenei directed at Sunni communities, reflect a broader crisis within Iran's current political landscape. This crisis is characterized by a perceived tension between two simultaneous state approaches. The first centers on internal security and political control, which is associated in this context with executions, property confiscations, and the resulting public dissatisfaction. The second involves efforts to reinforce religious legitimacy through engagement with sectarian elites and attempts to convert their support into political capital for the new supreme leader. The contradiction between these two approaches is particularly significant, making Abdolhamid's voice especially consequential, as it highlights the gap between official narratives of unity and the lived realities of exclusionary practices.

From another perspective, Mojtaba Khamenei's address, despite its emphasis on unity, overlooked the underlying issues raised by Abdolhamid. Instead, the supreme leader bypassed concerns related to justice, representation and meaningful political participation. Thus,

substituting structural grievances with the language of solidarity and symbolic cohesion risks deferring rather than resolving underlying tensions, thereby leaving the broader crisis unresolved and potentially more fragile over time.

### **Conclusion**

In conclusion, these two voices, that of Abdolhamid in Zahedan and that of the Sunni scholars in Hormozgan who are expressing allegiance to Mojtaba from the south, are portrayed as reflecting a deeper divergence within Iran's Sunni community between engagement and resistance. What is common between them is that both point to a broader gap resulting from the absence of a genuine

and equitable integration policy, one that has not been established on firm foundations.

Indeed, the state's reliance on symbolic displays of allegiance in Hormozgan as a form of religious and political capital is contrasted with policies such as property confiscation and executions directed against opponents, creating a disconnect between the discourse of Islamic unity and lived social and political realities. This gap, if left unaddressed through substantive reform, is likely to sustain the influence of voices such as Abdolhamid, reinforcing their legitimacy over time and representing one of the enduring challenges facing the Iranian political system over the past decades.

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## **IRAN-ARAB INTERACTIONS**

Iran-Arab relations remain tense following Iranian attacks on Gulf countries and the closure of strategic waterways which has undermined global economic and energy security. The war's impact reached Iraq, where the political deadlock ended through the nomination of businessman Ali al-Zaidi as prime minister. In Yemen, the Houthis continue their actions against state interests, shaped by their strategic alignment with Iran and driven by an Iranian agenda prioritizing Tehran's interests and objectives.

## Significations of Designating Zaidi as Iraq's New Prime Minister

In a development that brought an end to the political deadlock caused by Nouri al-Maliki's insistence on forming a government, the Iran-backed Coordination Framework succeeded in resolving the crisis. Maliki reportedly agreed to withdraw following a US veto, paving the way for the nomination and appointment of Ali al-Zaidi as the new prime minister. Zaidi was granted 30 days from his appointment on April 27, 2026, to form a new government.

At the same time, questions remain regarding his ability and political experience in managing the balance among competing domestic forces and external pressures during the cabinet formation process. Attention is also focused on the possible composition of the new government amid the opportunities and complexities shaping the Iraqi political landscape, particularly disputes among political, ethnic and sectarian blocs over ministerial portfolios.

### Zaidi's Ability to Form a New Government

Born in 1986 and regarded as the youngest Iraqi prime minister in the post-2003 period, Zaidi is considered by some observers to belong to the category commonly referred to in Iraq as the "whales," a term used to describe influential business figures possessing substantial wealth and financial influence. His broad experience and achievements in the banking, legal and administrative sectors provide him with a technocratic profile that could strengthen his domestic acceptance and enable him to contribute to addressing some of Iraq's complex financial, administrative and economic challenges.

At the same time, questions remain regarding his capacity to manage Iraq's intricate political and security files, par-

ticularly given that he is viewed more as a compromise candidate among factions within the Coordination Framework than as a traditional political leader. Unlike figures such as Mohammed Shia' al-Sudani or Maliki, Zaidi lacks a political background rooted in party structures or electoral alliances. He has not previously held major political office in Iraq and does not possess an independent parliamentary bloc or alliance within the Coordination Framework. This situation may create significant challenges during the government formation process, although some analysts argue that it could also make him more acceptable across competing political, sectarian and ethnic factions.

Zaidi, whose name had not previously circulated prominently among potential prime ministerial candidates, comes from southern Iraq, specifically the predominantly Shiite province of Dhi Qar. Various reports have pointed to ties between Zaidi and Iran, including his former position as chairman of Al-Janoob Islamic Bank,<sup>(1)</sup> which some media reports have described as among the banks allegedly used by Iran to circumvent US sanctions. Attention has also been drawn to his leadership role in Dijlah TV, a Shiite-oriented media outlet, as well as to his nomination by the Iran-backed Coordination Framework.

Because he lacks an independent political base or parliamentary support structure of his own, many observers of Iraqi affairs believe that Zaidi may rely heavily on the Coordination Framework in both forming the government and managing domestic and foreign policy matters. According to other analysts, he may also face difficulties in assembling an independent cabinet that fully reflects his own vision unless balancing pressure emerges from other Iraqi factions as well as regional and international actors.

## Government Formation Prospects

According to a number of observers, Zaidi possesses several factors that may facilitate the formation of a new government. Among the most significant is his relatively uncontroversial political background, as he has not been directly associated with longstanding conflicts among Iraq's major political alliances and does not formally belong to any specific party. This profile has contributed to perceptions of him as a potentially acceptable figure across a broad spectrum of political factions and alliances.

Support for Zaidi from a range of Shiite, Sunni and Kurdish political actors has also been an important element in easing his task. This was reflected in a series of meetings he reportedly held with prominent political figures, including Mohammed al-Halbousi, Muthanna al-Samarrai, Khamis al-Khanjar, Thabit al-Abbasi, Ammar al-Hakim, Qais al-Khazali, Hadi al-Amiri and Humam Hamoudi. His subsequent visit to Erbil, where he met with Kurdistan Regional Government Prime Minister Masrour Barzani, was similarly interpreted as politically significant. During those discussions, Barzani reportedly referred to what he described as a new opportunity to resolve longstanding disputes with the federal government,<sup>(2)</sup> including tensions linked to attacks attributed to pro-Iran militias targeting Erbil and disagreements surrounding the question of the Iraqi presidency and the role of the Patriotic Union of Kurdistan.

Another potential advantage in the government formation process is Zaidi's regional and international acceptance. He reportedly received positive responses from several Arab states, including Qatar, Syria, the UAE and Jordan, as well as from regional actors such as Türkiye and Iran. Foreign ministers from several of these countries reportedly welcomed his appointment and emphasized sup-

port for Iraq's sovereignty and political stability.<sup>(3)</sup> Positive reactions were also reported from European countries including Spain, the UK, France and Germany, in addition to expressions of support from the UN mission.

Most notably, the United States reportedly welcomed Zaidi's appointment, with President Donald Trump reportedly inviting him to visit Washington after the formation of the government. According to many political and media assessments, this development generated concern among some figures within the Coordination Framework, armed factions and Iran-aligned circles, amid fears that Washington might seek to cultivate closer ties with Zaidi in ways that could challenge Iran's political alliances and military influence in Iraq. These concerns are deepened by Zaidi's economic and legal background which could provide Washington with an opportunity to engage with him on a pragmatic basis, a factor that could also contribute to facilitating the government formation process.

## Internal and External Challenges Facing Zaidi

Zaidi faces a complex set of challenges inherited from previous Iraqi governments. On the domestic level, he must navigate deep divisions among Shiite political blocs competing over power, influence and leadership, as well as the implications of these rivalries for cabinet formation and the allocation of ministerial portfolios among both Shiite and non-Shiite alliances. He also confronts the broader challenge of managing tensions among Shiite, Sunni and Kurdish forces regarding approaches to governance, state reform and Iraq's domestic and foreign policies.

Among the most serious challenges is the deteriorating security environment linked to the issue of uncontrolled weapons and armed groups operating

outside full state authority, whose activities have extended beyond Iraq's borders and affected the security of neighboring countries. Success in the security file is widely viewed as the central test of Zaidi's government and a decisive factor in its long-term stability, particularly given that successive Iraqi governments have struggled to balance the authority of the state with the influence of armed factions. Iraq also continues to face chronic economic challenges as a rentier economy that relies on oil revenues for more than 90% of its budget.<sup>(4)</sup> These revenues have been affected by the US-Iran war and the repercussions of tensions surrounding the Strait of Hormuz, alongside longstanding service-related crises such as electricity shortages, water scarcity and widespread corruption. Although Zaidi possesses administrative and banking experience, efforts to implement reforms are expected to encounter substantial political resistance and complex competing interests within Iraq's fragmented political system.

Externally, Zaidi faces the challenge of managing Iraq's sensitive and often contradictory foreign relationships within a framework that has complicated the policies of previous governments. This balancing act requires preserving Iraq's partnership with the United States while avoiding direct confrontation with Iran and Iran-aligned armed factions, while simultaneously strengthening ties with Arab, Gulf and regional states. Reports also point to US interest in certain ministries within the new government and to broader calls for limiting Iranian influence in Iraq by addressing the role of the Popular Mobilization Forces and other armed groups operating outside full state control, a task widely regarded as extremely difficult and one that previous governments were unable to accomplish.

At the same time, Gulf and Arab states have reportedly raised concerns regard-

ing Iraq's role in regional security, particularly after attacks targeting the Gulf countries that led some states to recall Iraqi ambassadors. As a result, Zaidi is expected to face the difficult challenge of preventing armed factions from becoming involved in future regional conflicts while these groups continue to pursue agendas aligned with broader Iranian geopolitical interests.

### **Conclusion**

When weighing the available opportunities against the challenges facing Zaidi, the challenges appear considerably greater, both in terms of forming a government and managing the next phase of Iraq's political trajectory. This is largely due to the scale of the country's internal complexities and the intensifying external pressures surrounding Iraq. As a result, Zaidi faces not only the immediate test of cabinet formation, but also the broader challenge of governing a state situated at the intersection of deep domestic divisions and escalating regional tensions. These pressures have intensified further following the involvement of armed militias in the US-Iran conflict and their targeting of US interests and the Gulf states, developments that have complicated Iraq's regional position and increased the sensitivity of the security environment. Consequently, Zaidi's task is particularly difficult, and the success of his government is likely to be measured by several key indicators, foremost among them securing parliamentary confidence in his cabinet and demonstrating an ability to address Iraq's security crises. Particular attention will focus on whether his government can prevent Iraq from continuing to serve as a platform for actions threatening Gulf security, especially in light of the tensions that have strained Iraq's relations with the Gulf states as a result of militia activities.

## Strategic Dimensions of the Houthis' Involvement in the US-Israel War Against Iran

Yemen's Iran-aligned Houthis belatedly intervened in the war on Iran's behalf, particularly through strikes targeting Israeli towns. The Houthis' involvement carries strategic implications affecting the security of Yemen, the Red Sea and broader regional and international interests. Several Iranian officials have indicated the possibility of the Houthis using the Bab al-Mandab Strait for leverage to improve Iran's negotiating position in talks with the United States over ending the war permanently.

This file analyzes Iran's ability to repeat its Hormuz strategy at the Bab al-Mandab Strait as a form of leverage. It also explores the negative repercussions of the Houthis' involvement in the conflict on regional and international interests.

### Iran Leveraging the Bab al-Mandab Strait to Improve Its Negotiating Position

The opening days of April 2026 witnessed an escalation in Houthi attacks targeting Israeli sites following the group's calculated involvement in late March 2026 in the US-Israel war against Iran. Houthi military spokesman Yahya Saree stated that these operations were conducted in direct coordination with the Iran's Islamic Revolutionary Guard Corps (IRGC) and elements affiliated with Hezbollah.<sup>(5)</sup>

The Houthi involvement in the conflict carries strategic implications tied more closely to Iran's regional positioning than to a direct effort to alter the military balance of power. This is as Iran has been signaling the possibility of imposing a new reality in the Bab al-Mandab Strait that is capable of disrupting international shipping in a manner comparable to the strategic role of the Strait of Hormuz. Such a posture represents an attempt by Tehran to strengthen its

negotiating leverage and safeguard its interests in the event of expanded US strikes against critical Iranian oil and infrastructure facilities.

This position was reflected in remarks attributed to Ali Akbar Velayati, adviser to Iran's supreme leader on international affairs, who stated on X that "Today, the unified command of the Resistance front views Bab al-Mandeb as it does Hormuz."<sup>(6)</sup> In parallel, Ali Khazrian, a member of the Iranian Parliament's National Security and Foreign Policy Committee, stated that the Houthis had completed military and logistical preparations, reportedly following Iranian training, aimed at controlling the Bab al-Mandab Strait and imposing transit fees on commercial shipping. He stated that shipping companies will have to comply with the toll system set at \$5 million or bear an additional cost of around \$30 million for another route.

From the Houthi side, Hussein al-Ezzi, a senior Political Bureau member, stated that the group possessed the capability to impose a new operational reality in the Bab al-Mandab Strait that could prevent the passage of commercial vessels. Collectively, these Iranian and Houthi statements illustrate the degree to which the Houthis are aligned with broader Iranian strategic calculations, particularly through the use of the Bab al-Mandab Strait as a pressure tool to improve Iran's negotiating position. This approach risks drawing Yemen more deeply into regional confrontations, with potentially severe consequences for Yemen's stability and for the wider security of the region.

### The Houthis' Involvement in the War — Threatening Regional and International Interests

The Houthi involvement in the war elevated the alignment with Tehran from indirect support toward more overt strategic coordination. Through controlling the critical international waterway of

the Bab al-Mandab, Iran would be able to leverage the Houthis within a broader, multilayered pressure strategy designed to strengthen its negotiating position without engaging in direct military confrontation. If Iran's strategy is fully implemented, it would create an intractable ring of crises constraining the movement of oil tankers — the lifeblood of the global economy.

At the same time, the Houthis' entry into the war will have negative repercussions for the trajectory of Yemen, while also further complicating the security environment in the Red Sea and the Bab al-Mandab Strait. This strategy is not limited to its military dimension, but extends into political and economic spheres, as part of an effort to enhance Iran's bargaining leverage despite the associated risks to global energy security and international trade flows.

As a result, these developments should prompt the international community and major powers to reassess and recalibrate their deterrence strategies toward both Iran and its Houthi ally, with the aim of reducing strategic risks and strengthening stability in Yemen and the wider region.<sup>(7)</sup> Freedom of navigation in the Red Sea is an international issue and thus cannot be the responsibility of any single state. It constitutes a collective international obligation aimed at ensuring the uninterrupted flow of oil to European, US and Asian industries.

Accordingly, accurately timing any intervention to further weaken the Houthis and maintain them in a prolonged state of strategic retreat remains essential to securing energy flows and preventing the renewed expansion of Iran's regional line of fire, which would inevitably increase the cost of confronting it in the future. At the same time, the Houthis must recognize the consequences of provoking renewed and costly US and Israeli strikes against Yemen — actions that would fur-

ther deepen the Yemeni crisis, particularly given Iran's current state of weakness and its potential inability to effectively defend its regional proxies following the repercussions of US and Israeli strikes on Iranian territory. Meanwhile, reconstruction in Iran is likely to require years of recovery efforts and billions of dollars in expenditures — the outcome of geopolitical policies and strategic choices that have left Iran and the Iranian people with little beyond destruction, isolation, sanctions and prolonged economic strain.

### **Conclusion**

The above-discussed developments indicate an unprecedented rise in Iran-Houthi coordination, marking a shift in their alignment from efforts focused primarily on strengthening Houthi capabilities and consolidating territorial gains toward engagement in the more sensitive and strategically risky domain of the Bab al-Mandab Strait, in a manner often compared to the Strait of Hormuz. Key maritime routes, including the Bab al-Mandab Strait, have become integrated into Iran's broader regional pressure strategy. The use of the Bab al-Mandab Strait by Iranian and Houthi actors as a form of leverage is evidence of the Houthis' alignment with Iranian strategic objectives and their role in advancing Tehran's political and negotiating interests. This trajectory will undoubtedly increase tensions and deepen the complexity surrounding this critical maritime chokepoint, which holds both regional and international importance. The implications of these developments extend beyond the immediate actors involved, affecting the broader Yemeni landscape. Houthi actions serving broader Iranian interests are not limited to their own political orientations but have wider consequences for the Yemeni population and infrastructure, increasing exposure to potential confrontation with international and regional powers.

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## **Iran's Relations With International Powers**

In terms of Iran's interactions with international powers, there are growing indications that Israel remains prepared to resume war against Iran, anticipating a potential collapse of the truce with the United States. This uncertainty is reinforced by the escalating crisis surrounding the closure of the Strait of Hormuz and the stagnation of US-Iran negotiations in Islamabad. Regarding relations with Russia, Iranian Foreign Minister Abbas Araghchi's visit to Moscow demonstrated Iran's continued regional and international engagement, alongside messages signaling indifference to US sanctions and a lack of concern over security risks facing Iranian political officials amid a fragile truce

## **Israeli Reactions Toward the US-Iran Truce**

The truce between the United States and Iran overcame multiple challenges that nearly caused its collapse and risked a renewed outbreak of war. Its extension created additional space for potential negotiations aimed at reaching a broader agreement to end the conflict. However, tensions between the parties remain high despite this temporary de-escalation. In this context, the Israeli position is the most significant obstacle to progress in US-Iran negotiations, due to divergent approaches on key issues. These include disagreements over the status of the Lebanese front following the end of the war, as well as broader disputes concerning Iran's nuclear program, ballistic missile capabilities and regional security arrangements.

### **The Israeli Attitude Toward the Ceasefire**

Benjamin Netanyahu's government adhered to the declared ceasefire between the United States and Iran, although the truce drew strong criticism from opposition leader Yair Lapid. He described the agreement as a "failure" and a "political disaster" for Netanyahu's government, arguing that the administration had been excluded from key decisions concerning Israeli national security.<sup>(1)</sup> In response, Netanyahu stated that Israel had achieved significant military gains in its confrontation with Iran and maintained that the country remained prepared to resume military operations at any time if necessary. "The temporary ceasefire came in coordination with Israel, the Americans did not surprise us at the last moment. This is not the end of the war but a station on the way to achieving all the goals," he further asserted.<sup>(2)</sup>

As expected, the Lebanese front remained the most sensitive and potentially destabilizing element within the truce

arrangement. With Iran's insistence on including it in the broader framework, and in parallel with US efforts to secure a ceasefire between Lebanon and Israel, Washington hosted direct talks between the two sides in mid-April, which resulted in a 10-day ceasefire agreement. Following this, Iranian Foreign Minister Abbas Araghchi announced the reopening of the Strait of Hormuz to maritime navigation for the duration of the ceasefire period. However, Iran reversed this decision the following day, citing the continuation of the US blockade on its ports.

Israel, for its part, was responding only partially to US pressure, with a reduction in the intensity and scope of military operations rather than a full cessation. The Lebanese army also accused Israel of violating the truce within half an hour of its implementation, citing continued shelling, evacuations and demolition operations in villages along the border.<sup>(3)</sup>

Within the broader context of negotiations, Israel repeatedly declared its military readiness to return to war should diplomatic efforts collapse. It also expressed opposition to proposals reported in some media outlets regarding the transfer of enriched uranium from Iran to Pakistan, citing concerns over proliferation risks, Pakistan's internal instability and its ties with armed groups. Additional concerns included the possibility that such a transfer could allow Iran to retain indirect access to nuclear materials, thereby circumventing sanctions and International Atomic Energy Agency monitoring while potentially preserving elements of its nuclear program.<sup>(4)</sup>

### **Israel's Stance on Extending the Ceasefire**

Following US President Donald Trump's announcement on April 22, 2026, extending the ceasefire pending Iran's submission of its proposal, Israel declared its readiness for the possibility of a return to

war. This position was shaped by Israeli assessments suggesting that reaching a durable agreement remained unlikely, given what Israel described as Iran's limited flexibility on core issues, including the nuclear file, ballistic missile capabilities and regional security arrangements. Israel's announcement also coincided with the continued US military buildup in the Middle East, reflecting preparations for the possibility of renewed escalation.<sup>(5)</sup>

On the Lebanese front, Trump announced on April 24, 2026, a three-week extension of the ceasefire between Lebanon and Israel, coinciding with meetings in Washington between Lebanese and Israeli representatives. Despite this extension, Israeli military operations continued to violate the terms of the agreement. On April 30, 2026, Lebanese President Joseph Aoun condemned Israel's ongoing violations of the ceasefire agreement with Hezbollah, calling for international pressure to halt attacks targeting civilians and paramedics.<sup>(6)</sup> In parallel, the Israeli army acknowledged shelling approximately 500 locations in Lebanon since the ceasefire came into effect on April 17, 2026, while also noting casualties on its side, including five soldiers killed and around 33 wounded as a result of Hezbollah's response to the reported Israeli violations.<sup>(7)</sup>

Iran, for its part, reaffirmed its continued support for Lebanese Hezbollah. IRGC Quds Force Commander Brigadier General Esmail Qaani stated on April 27, 2026, that the "resistance fronts" stand alongside "heroic Hezbollah," adding that the group has become stronger and more cohesive than ever. He further stated that, in times of necessity, Iran would take measures to support the "oppressed peoples" of Lebanon and Palestine, and that it would make the "Zionists regret their evil actions."<sup>(8)</sup>

## Conclusion

The inconsistency in Israeli behavior regarding the evolving dynamics of the war and the US-Iran truce was evident. While Israel reluctantly aligned with the US position on the truce with Iran, a different approach was observed in the Lebanese arena where Israel continued its assault at a high intensity, particularly in southern Lebanon. These developments highlight the complexity surrounding Israel's immediate challenges, both in reaching a sustainable agreement that would end the war with Iran and in managing its operational posture on the ground in the broader regional theater.

## Araghchi's Moscow Visit: Iranian Contexts and Russian Calculations

In light of the unprecedented conditions facing the Iranian state amid the repercussions and evolving dynamics of the US-Iran war, which have further complicated Iran's internal and external challenges, Iranian Foreign Minister Abbas Araghchi visited Moscow in late April 2026. During the visit, he met with his Russian counterpart Sergey Lavrov, and subsequently held a meeting with Russian President Vladimir Putin lasting approximately two hours. In light of current circumstances, the objectives and implications of this visit for the Iranian leadership are elucidated below.

## Contexts and Significations

Araghchi's visit to Moscow took place at an exceptional moment: amid a fragile truce between the United States and Iran. The truce was secured through intensive diplomatic efforts led by Pakistan, alongside other regional and international actors, in a bid to end the war that resulted in the closure of the Strait of Hormuz — a development with significant repercussions for the global economy, even if it has particularly aligned with Russian interests.

Araghchi met with Putin, and the discussions culminated in what Araghchi described as a convergence whereby “recent events have evidenced the depth and strength of our strategic partnership.”<sup>(9)</sup> Araghchi described Russia as a “great friend and ally” of Tehran on the basis of parity and coordinated efforts against a project of unilateral hegemony.<sup>(10)</sup> For his part, Putin told Araghchi that “for our part, we will do everything that serves your interests and the interests of all the peoples of the region to ensure that peace is achieved as quickly as possible.”<sup>(11)</sup>

Araghchi’s visit to Moscow was part of Iran’s broader effort to underscore its regional and international presence. It came within a diplomatic tour that also included Pakistan and Oman. The timing coincided with heightened speculation over a possible meeting with US negotiators, while Tehran framed these engagements as routine diplomatic activity by the Iranian Foreign Ministry, despite a US-imposed “siege” and the security risks facing Iranian political officials in light of a fragile truce and limited trust, characterized by surprise military operations carried out by the United States and Israel during earlier rounds of negotiations.

### **Calculus of Russia’s Wartime Position Toward Iran**

The visit was preceded by expressions of Russian support for Iran, reflected in Moscow’s rejection of war against Iran and its affirmation of Iran’s right to self-defense. Russia also put forward proposals aimed at resolving outstanding disputes, most notably the nuclear file.

In parallel, within the UN Security Council, and in coordination with China, Moscow vetoed a US draft resolution intended to legitimize the use of military force<sup>(12)</sup> to open the Strait of Hormuz. Russia characterized US and UK actions as disguised “international piracy” and a

clear breach of international law principles.

This Russian-Chinese position provided Tehran with a degree of flexibility in conducting its naval defense maneuvers. At the same time, economic support via the Caspian Sea, combined with the veto, constituted a form of backing for Iran at a moment of acute need amid the conflict.

On April 8, 2026, during a phone call between Iranian Minister of Agricultural Jihad Gholamreza Nouri and Russian Minister of Agriculture Oksana Lut,<sup>(13)</sup> both sides agreed to facilitate the transit of Russian agricultural and livestock products into Iranian markets. This step was not merely a trade arrangement, but a measure aimed at reinforcing Iran’s food security, ensuring domestic stability and preventing potential social unrest stemming from shortages of essential goods under military pressure. At the same time, disruptions to global shipping routes contributed to a complex investment environment and a sharp increase in global oil prices.<sup>(14)</sup>

Regarding military support, field data and military analyses indicate that Iranian defenses have made notable advances in performance, attributed to the direct use of advanced Russian capabilities and technologies, particularly in early warning systems, electronic warfare and layered air defense.<sup>(15)</sup> However, this support remains largely opaque, with both Russia and Iran maintaining a policy of non-disclosure regarding its scale and nature. Some of Iran’s partial military successes are attributed to its own capabilities, drawing on lessons from the 12-Day War in June 2025, while others are linked either to Chinese or Russian assistance.

Thus, Russia appears to combine explicit and relatively strong political backing for Iran with a more cautious and reserved approach regarding the scope of military support, guided by several

calculations. Foremost among them is the desire to preserve the comparatively favorable posture of Trump toward the war in Ukraine, where he is seen as leaning closer to Russian positions in the ongoing Russia-Ukraine war.

At the same time, the continuation of war dynamics in Iran presents Moscow with potential advantages, including elevated oil prices and opportunities to sell Russian oil on international markets. It is also suggested that military expenditures related to such a scenario could indirectly reduce US military support for Ukraine, thereby affecting the balance in Russia's favor.

However, Russia may also be weighing the risk that deeper military involvement could tilt the balance of the war in Iran's favor, prompting increased US arms deliveries to Ukraine, which could negatively impact Russia's position in the Russia-Ukraine war. Additionally, widening divisions within NATO — particularly the reluctance of some European members to participate militarily alongside the United States in operations aimed at reopening the Strait of Hormuz — further complicates the picture. In this context, the war also reinforces Iran's growing reliance on Russia.

## **Conclusion**

It can be argued that the war has deepened cooperation and coordination between Russia and Iran, with both sides appearing to derive mutual benefits, although Russia is often assessed as the primary beneficiary. For Iran, Russia provides political backing during a war perceived as targeting the political system. This cooperation is also believed to extend, at least in part, to military and technological dimensions, though the precise scope remains unclear. At the same time, Chinese technology has contributed to Iran's capabilities in this confrontation, alongside China's commercial relations with Iran amid unrelenting US sanctions. Conversely, the war has yielded several advantages for Russia. These include a relative easing of pressure on the Ukrainian front in the ongoing Russia-Ukraine war, heightened tensions between Europe and the United States, upward pressure on global oil prices and a partial relaxation of constraints on Russian crude oil in certain markets. Taken together, these developments have helped mitigate some of the economic pressures facing Moscow.

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# Iran Case File

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