

On February 28th, the U.S. and Israel launched coordinated military strikes across Iran, targeting key elements of the country's security forces and critical military infrastructure, including both defensive and offensive capabilities. It was reported that the operation struck key command-and-control facilities as well as missile production, storage, and launch-related infrastructure central to Iran's defense posture. It remains unclear whether significant nuclear facilities were among the targets; however, naval assets were confirmed to have been struck. U.S. and Israeli officials also reported that Supreme Leader Ayatollah Ali Khamenei was killed in the attacks, along with other senior military leaders, including Islamic Revolutionary Guard Corps (IRGC) Commander-in-Chief Mohammad Pakpour. President Trump [stated](#) that the military operation will continue "until all of our objectives are achieved," cautioning that additional casualties are possible and indicating the campaign could "take four weeks or less."

REGIONAL ESCALATION AND INTERNATIONAL REACTION

Iran has responded with a series of missile and drone attacks targeting U.S. military installations and allied facilities across the Gulf, in addition to conducting strikes against Israel. Notably, there have been as many strikes in the Gulf as in Israel, underscoring Tehran's intent to impose immediate and tangible costs on U.S. partners in the region. By directing its ire at neighboring countries, and extending threats as far as Cyprus, Iran appears focused on increasing economic and security pressures region-wide while signaling its willingness to expand the conflict to the European flank. The U.S. has reported casualties in retaliatory attacks on regional bases, marking a significant escalation in direct hostilities.

At the United Nations Security Council, the United States defended the strikes as necessary to prevent further Iranian nuclear advancement and to degrade strategic military capabilities. Russia and China condemned the operation and called for immediate de-escalation, framing the strikes as a violation of sovereignty and a threat to regional stability. European governments have publicly expressed support for the strikes, with the United Kingdom, France, and Germany stating they would actively intercept and thwart any missile attacks directed toward Europe. While voicing concern about the risk of further escalation, European leaders have made clear they are not passive observers and are prepared to take defensive action to protect their territory and interests.

OPERATIONAL DISRUPTION AND NEAR-TERM BUSINESS IMPACT

The operational fallout across the region has been swift and disruptive, with direct consequences for global commerce. Airspace closures over key hubs such as Dubai, Doha, and Abu Dhabi have forced widespread flight cancellations and rerouting, slowing both passenger travel and high-value air cargo. At sea, risk levels have escalated dramatically, with the Strait of Hormuz now completely closed, a critical artery for global oil and LNG shipments, effectively halting maritime traffic through one of the world's most strategically vital energy chokepoints. Shipping delays, rising freight rates, and heightened security warnings are compounding pressure on already strained logistics networks. U.S. authorities have reiterated longstanding advisories about Iranian vessel seizures and harassment in the Gulf, while also confirming that U.S. forces have sunk Iranian naval vessels amid the escalating maritime confrontations.

For companies moving goods through the region, the impact is immediate: longer transit times, higher insurance premiums, and the potential for contractual disputes tied to delivery delays. Firms with assets on the ground, particularly in energy, logistics, infrastructure, and financial services, are also navigating increased security concerns, elevated cyber risk, and the possibility of sudden sanctions actions that could disrupt counterparties or cross-border financial flows.

REGULATORY IMPACTS AND RISKS

Energy markets have reacted quickly to the escalation. Oil prices have risen on fears of disruption through Hormuz, despite signals from OPEC+ that additional supply may be brought online. The core concern is not immediate production loss, but the vulnerability of transit routes and rising war-risk insurance premiums. LNG markets face similar exposure given the Gulf's central role in global gas exports.

At the same time, the sanctions and compliance landscape remains fluid. While additional measures have not been formally announced, there is a possibility of further U.S. action targeting Chinese entities linked to Iranian trade, potentially in coordination with European partners, though any new steps may be limited in scope. It remains unclear whether broader new sanctions will be imposed. Companies should nevertheless anticipate continued scrutiny, particularly in shipping, finance, and dual-use trade, as enforcement dynamics evolve. The risk of secondary sanctions, even absent major new designations, adds complexity for firms operating indirectly in affected markets.

Cybersecurity risks are also elevated. Iranian-linked actors have historically increased cyber operations during periods of geopolitical tension, raising the likelihood of phishing campaigns, distributed denial-of-service attacks, and potential targeting of operational technology systems, particularly for companies with U.S., Israeli, or Gulf exposure. The risk of asymmetric activity, including terrorism, has also increased. Europe is concerned about potential proxy attacks, with more limited concern in the United States. Such attacks, abroad or in the homeland, remain possible but are unlikely at this stage given the escalatory risks.

Furthermore, financial markets are reflecting broader risk aversion. Energy and defense-related sectors have strengthened, while energy-importing emerging markets are facing renewed volatility. Insurance markets, especially marine and aviation war-risk, are tightening, contributing to rising operating costs.

THE PATH AHEAD

Over the longer term, the implications are likely to be structural rather than temporary. Sustained instability in and around the Gulf could accelerate efforts to diversify supply chains away from strategic chokepoints such as the Strait of Hormuz, prompting companies to redesign sourcing models, build redundancy into logistics networks, and hold higher inventory buffers. This shift would likely require increased capital expenditures focused on geopolitical risk mitigation, including alternative routing, nearshoring, and enhanced security infrastructure. At the same time, global energy markets may settle into a higher baseline of volatility, with persistent risk premiums embedded in oil, LNG, shipping, and insurance costs.

An expanded and/or more aggressively enforced sanctions regime would further complicate cross-border trade and finance. Broader secondary sanctions or new designations could disrupt trade finance channels, vessel access, commodity trading relationships, and insurance coverage, particularly for firms exposed to

Middle Eastern hydrocarbons, maritime transport, energy services, or dual-use technologies. Compliance costs could rise as companies strengthen screening, due diligence, and internal controls to manage heightened enforcement risk.

While companies may seek to diversify supply chains, the Strait of Hormuz accounts for roughly 22% of global commerce, making it extraordinarily difficult to replace or reroute a fifth of global commercial flows in the near term. Substitution options are limited, and sustained disruption would have systemic consequences. At the same time, the broader geopolitical trajectory remains highly uncertain. It is too early to assess whether closer coordination among Iran, Russia, and China will meaningfully reshape the operating environment. More immediately, there is limited clarity on the future of the Iranian regime itself, how durable it is, what form it may take, and how it responds under pressure. The duration of military operations and their ultimate objectives also remain unclear, leaving open a wide range of outcomes, from regime consolidation to partial capitulation to prolonged instability. There is also the possibility that President Trump, who has already signaled a willingness to negotiate, could shift course if he determines diplomacy better serves U.S. interests.

In short, the lack of clarity creates a planning environment defined by multiple plausible scenarios, requiring businesses to prepare for volatility rather than a single defined end state.