



ISRM

THE INSTITUTE OF STRATEGIC
RISK MANAGEMENT

IRAN-US TENSIONS AT THE BRINK: AN ACCUMULATED CRISIS, NOT A SUDDEN ONE

by Mohammad Shajari

REVOLUTIONARY FOUNDATIONS AND THE LOGIC OF CONTROL

Tensions between Iran and the United States have reached a dangerous point. Military assets are deployed in the region, rhetoric has hardened, and the possibility of escalation is no longer hypothetical. Yet framing this moment as a sudden crisis obscures a more important reality: Iran did not arrive here abruptly. The current standoff is the result of decades of unresolved political, economic, and governance failures that have steadily narrowed the country's strategic options.

What now appears as a confrontation between states is also the result of a domestic system under strain. Internal repression, economic decline and regional confrontation have converged into a single crisis in which domestic legitimacy and external security are inseparable. The risk of war, the prospect of negotiations and the possibility of targeted intervention are not competing explanations, but the limited outcomes remaining after years of accumulated failure.

The origins of Iran's current trajectory lie in the political settlement that followed the 1979 revolution. The Islamic Republic was constructed not as a conventional state focused on economic performance and institutional adaptability, but as a revolutionary system designed to defend an ideological project. From its inception, legitimacy was rooted in resistance, both to external powers and to internal dissent.

This orientation shaped the architecture of the state. The Islamic Revolutionary Guard Corps (IRGC) emerged as the central guardian of the system, blurring the line between national defence and political control. Over time, IRGC expanded its influence across Iran's economic, political and social spheres, entrenching a system in which governance relied on deterrence rather than consent. Dissent was increasingly treated as a threat to regime survival rather than a signal of policy failure.

Such a system can suppress challenges effectively in the short-term, but it struggles to adapt. By prioritising ideological continuity over performance, the state reduced its capacity to respond to social change, demographic pressure, and economic complexity. Stability became dependent on force rather than legitimacy, a choice that would have long-term consequences.



EXTERNAL CONFRONTATION AND STRATEGIC ISOLATION

Iran's internal rigidity was mirrored by its external posture. Revolutionary ideology did not remain confined within national borders; it was actively projected across the region. Support for allied non-state actors and proxy groups became a defining feature of Iran's foreign policy, reinforcing its identity as a force of resistance while deepening confrontation with the United States and its partners.

Alongside this regional strategy, Iran's nuclear programme evolved into a central strategic asset. Whether intended as a deterrent, a bargaining chip, or a symbol of sovereignty, the programme entrenched Iran's isolation. Sanctions and diplomatic pressure followed, restricting access to global markets, financial systems, and investment. While these measures were imposed externally, they interacted with Iran's own policy choices in ways that reinforced confrontation rather than alleviating it.

Over time, Iran became locked into a cycle in which isolation justified militarisation, and militarisation justified further isolation. Diplomatic openings offered temporary relief but failed to alter the underlying logic of the system.

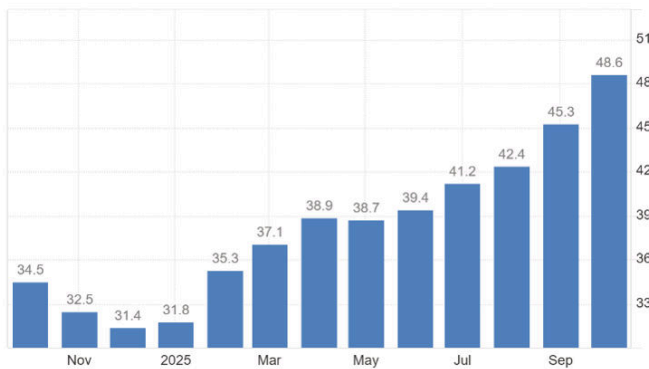
Key Message: Iran's revolutionary ideology and strategic choices - especially its regional proxy strategy and nuclear programme - created a self-reinforcing cycle of isolation and militarisation that deepened confrontation with the West rather than resolving it.



ECONOMIC DECLINE AND GOVERNANCE FAILURE

Sanctions have undeniably constrained Iran's economy, but external pressure alone does not explain the depth of the country's economic distress. Internal governance failures magnified the impact. Corruption, elite capture, and distorted incentives undermined resilience and deepened inequality. Economic policy increasingly favoured regime-linked actors while exposing the broader population to inflation and scarcity.

Key Message: **While sanctions hurt Iran's economy, internal governance failures - corruption, mismanagement, and distorted policies - were equally (or more) responsible for deepening and prolonging the country's economic crisis.**



Iran's annual inflation rate rose to 48.6% in October 2025, up from 45.3% the previous month, its highest level since May 2023. Source: Statistical Center of Iran

Basic infrastructure suffered as a result. Chronic water mismanagement, driven by unsustainable agricultural practices and poor environmental planning created acute shortages across multiple regions. Electricity blackouts became more frequent, reflecting underinvestment and administrative dysfunction. Inflation and currency depreciation eroded purchasing power, turning economic hardship into a permanent condition rather than a temporary shock.



PROTEST AND REPRESSION: A LEGITIMACY CRISIS EMERGES

The protests that erupted in late December 2025 were the result of accumulated economic and social pressures. Initially driven by inflation, shortages and declining living standards, demonstrations quickly broadened as grievances converged across different regions and social groups. What distinguished this phase of unrest was not only its scale, but its persistence and nationwide character.

Key Message: **Accumulated economic hardship evolved into a nationwide political challenge to the regime, and the state's violent crackdown transformed economic unrest into a deeper crisis of legitimacy.**



The regime's response was swift and uncompromising. Security forces deployed lethal force, carried out mass arrests and imposed widespread communication blackouts to disrupt coordination and limit visibility. These measures restored a degree of control, but at significant cost. The use of violence transformed economic protest into a legitimacy crisis. Fear became a central tool of governance, deepening public alienation and entrenching a system of rule based on deterrence rather than consent.

A critical moment came on 8 and 9 January 2026, when Reza Pahlavi (The Exiled Crown Prince of Iran) publicly called on Iranians to take to the streets. Large numbers of people responded, and the scale of mobilisation marked a clear shift from sporadic economic protest to a more direct challenge to state authority. The demonstrations during these days signalled that public anger had moved beyond isolated grievances and into a broader political confrontation.



FROM DOMESTIC CRISIS TO INTERNATIONAL SECURITY DILEMMA

As repression intensified, the crisis began to extend beyond Iran's borders. During the protests, President Donald Trump publicly expressed support for Iranian protesters and warned Tehran against further violence.

Subsequently, the United States increased its military presence in the region, including the deployment of a carrier strike group led by the USS Abraham Lincoln and additional air and naval assets. Iranian officials seized on these developments to frame the unrest as foreign-instigated, reinforcing long-standing narratives of external threat. This framing was used to retrospectively legitimise repression at home while signalling readiness to escalate externally.

Regional reactions reflected sustained anxiety. Neighbouring states, particularly in the Gulf, sought to distance themselves from the prospect of conflict, citing risks to energy markets, critical infrastructure and the danger of a wider war.

Key message: **Domestic unrest in Iran escalated into a regional security issue, as U.S. involvement and military deployments reinforced the regime's narrative of foreign interference, increasing the risk of broader confrontation.**



SCENARIO ONE (MOST LIKELY): **MANAGED DE-ESCALATION THROUGH TACTICAL ALIGNMENT WITH THE INTERNATIONAL ORDER TO BYPASS EXTERNAL CONSTRAINTS**

The continuation of negotiations over Iran's nuclear programme, ballistic missiles, and regional behaviour represents the most likely mechanism for managing the current crisis. Diplomatic engagement offers a pathway to reduce immediate escalation risk, ease sanctions pressure, and reopen limited economic channels, without requiring fundamental changes to Iran's internal power structures. This approach is strongly favoured by Iran's neighbours, particularly Gulf states, which prioritise de-escalation and regional stability over prolonged confrontation.

Under this scenario, Iran engages with the international order selectively and tactically. One possible trajectory involves accepting a defined set of international conditions, such as verifiable limits on uranium enrichment, constraints on missile development, reduced visibility or activity of regional proxies, and expanded monitoring, in exchange for phased sanctions relief and reduced external military pressure. Such alignment is framed domestically as a sovereign choice rather than a concession, designed to relieve external constraints while preserving regime control.

A second, and historically consistent, pathway involves negotiations functioning primarily as a pressure-management tool. The experience of the Joint Comprehensive Plan of Action (JCPOA) demonstrated how partial compliance, ambiguous provisions, and time-bound commitments allowed Tehran to benefit from sanctions relief while maintaining core strategic capabilities.

In this model, diplomacy serves less as a durable settlement and more as a tactical pause, enabling the regime to bypass external constraints, stabilise the economic environment temporarily and defer confrontation.

The context of the continuation of negotiations increases the risks associated with this approach. Iran is now engaging with President Donald Trump, whose previous handling of negotiations demonstrated limited tolerance for prolonged talks perceived as stalling or insincere. As a result, any attempt to use negotiations primarily to buy time carries a higher likelihood of rapid escalation if compliance is judged insufficient or deceptive.

While tactical alignment may succeed in lowering near-term escalation risks and restoring a degree of predictability, it does not resolve Iran's internal crisis of legitimacy. Economic relief may strengthen state capacity without improving governance or accountability, and repression may continue under the cover of diplomatic normalisation. For Iranian society, this scenario risks stabilising pressure on the regime rather than addressing the structural grievances that drove mass protest. Diplomacy, in this form, manages escalation but postpones rather than resolves instability.

SCENARIO TWO: **LIKELY CONTINGENCY: TARGETED MILITARY ACTION**

Targeted or limited military intervention represents a plausible contingency should negotiations stall or tensions escalate further. Precision strikes aimed at deterrence, potentially focused on military infrastructure or senior security figures, are intended to impose costs without triggering full-scale conflict. Such options remain under consideration as a means of signalling resolve while avoiding the immediate consequences of war.

The risks associated with this approach are substantial. Even limited strikes carry a high potential for miscalculation, particularly given Iran's repeated rejection of the concept of a "contained" attack. Any military action could prompt rapid retaliation, escalating beyond initial intentions. Targeted intervention may also reinforce the regime's siege narrative, enabling it to frame repression as national defence and justify further crackdowns on dissent.

SCENARIO THREE: **LEAST LIKELY BUT HIGH- IMPACT OUTCOME: FULL- SCALE WAR**

A direct military conflict between Iran and the United States would represent the most destructive outcome of the current crisis. The scale of the US military build-up, including the deployment of the USS Abraham Lincoln and additional air and missile defence assets, has increased the risk that large-scale strikes are a realistic possibility rather than a distant threat.

The humanitarian and regional costs would be severe. Escalation would be difficult to contain, as Iran has repeatedly warned that any attack would trigger retaliation beyond its borders.

Energy markets would be particularly exposed. Iran retains the capacity to disrupt shipping through the Strait of Hormuz, and even limited interference could drive global price spikes and destabilise supply chains. Neighbouring states, many of which have rejected involvement in any military action, fear being drawn into a conflict they neither seek nor control.

STRATEGIC TAKEAWAY

The current confrontation between Iran and the United States is best understood as a crisis largely of Iran's own making. Decades of ideological expansionism, confrontation-driven foreign policy, pursuit of strategic deterrence through militarisation, and persistent economic mismanagement have steadily eroded domestic legitimacy and international trust. Rather than adapting to internal pressures or changing regional dynamics, the Iranian state has prioritised regime survival and ideological posture over governance, reform and accountability, progressively narrowing its strategic options.

These choices have produced a self-reinforcing cycle in which external isolation, sanctions and security pressure interact with internal repression and economic decline. For Iranian society, the consequences have been severe: falling living standards, shortages and inflation have coincided with the systematic suppression of dissent. Protest has increasingly been met with lethal force, mass arrests and information blackouts, leaving civilians to bear the human cost of state failure and a deepening human rights crisis in which fear has become a central tool of governance.

Beyond Iran's borders, the implications are equally serious. Tehran's combination of internal repression and a militarised regional posture has exposed neighbouring states to instability they neither seek nor control, including threats to energy security, shipping routes and the risk of escalation. Iran's domestic crisis is therefore no longer contained within its borders.

Key message: The current U.S.-Iran confrontation stems largely from Iran's long-term strategic and governance choices, which have created a self-reinforcing cycle of repression, isolation and regional instability that now extends beyond its borders.

These concerns were reinforced on 1 February 2026, when Ali Khamenei warned in a public speech in Tehran that any war initiated by the United States would extend beyond Iran and evolve into a wider regional conflict, according to Iranian state media. Such messaging reflects and amplifies regional anxieties, reinforcing efforts by neighbouring states to encourage de-escalation and renewed diplomatic engagement rather than military escalation.

Without a shift by Iran's leadership away from coercion and toward accountability, these dynamics will continue to drive regional insecurity and recurring confrontation.

ISRM

ABOUT
**THE INSTITUTE
OF STRATEGIC
RISK MANAGEMENT**

The Institute of Strategic Risk Management (ISRM) is a leading global centre for the promotion and sharing of best-practice strategic risk and crisis management capabilities and thought leadership amongst practitioners, academics and policy makers. Across the Institute's global chapter network, our Members and Fellows help progress and promote the underlying understanding and capabilities associated with strategic risk and crisis management, alongside developing their own personal and professional networks.

The ISRM provides best-practice training, hosts leading events across its global and local networks, and provides strategic advice to support organisations' management of complex risks.

 www.theism.org

 info@theism.org