

How does the escalation of conflict with Iran under President Trump alter the geopolitical leverage of US Gulf allies and reshape the internal power structures of the Iranian state?

July 7, 2026 | SnugLab Research

Executive Summary

The escalation of conflict with Iran under President Trump has fundamentally altered the geopolitical leverage of US Gulf allies, compelling them to diversify security partnerships and trade routes to increase strategic autonomy. Concurrently, the Iranian state's internal power structures have undergone a complex reshaping, characterized by both fracturing due to economic and leadership strain and a deliberate centralization of command within its military-industrial complex and proxy networks.

Key Findings

Gulf Allies Diversify Security and Economic Partnerships

The conflict has prompted US Gulf allies to pivot away from exclusive reliance on the United States, seeking greater strategic autonomy through diversified security and economic partnerships. The foundational "unwritten strategic pact" dating to 1945, which established an outsourced security dependency on US military bases, has been perceived as cracked, with formal US defense guarantees transforming into liabilities and targets [9, 17]. Gulf states felt sidelined when the US prioritized Israel and did not notify allies of incoming attacks, exposing the limits of relying on a single guarantor [7, 9, 17].

In response, Gulf states are actively diversifying their defense portfolios and trade routes. Saudi Arabia has signed pacts with Pakistan and purchased a medium-range air defense system from South Korea for \$3.2 billion [9]. Kuwait and Qatar are pursuing separate arms deals with Turkey, the UK, and France [9, 19, 20]. This multi-alignment strategy, while introducing fragmented command structures that could reduce collective bargaining power, successfully builds strategic autonomy [6, 9, 17]. For example, the implosion of the Scopa-Raytheon defense industrial co-production deal due to American demands demonstrates the fragility of localization efforts under external pressure.

Economically, the effective closure of the Strait of Hormuz, which saw Brent crude prices peak at \$119.50 on March 9, 2026 [8], catalyzed proactive, multi-lateral trade routing. Gulf states accelerated trade diversification by doubling the capacity of the UAE's Fujairah bypass pipeline and establishing cross-border oil routing agreements between Saudi Arabia and Kuwait. This pressure actively drove Gulf states to pursue "strategic autonomy" and restructure regional economic and defense partnerships to secure long-term leverage. The March 2026 Brent crude price peak primarily financed these multi-lateral defense partnerships and trade diversification efforts.

Diplomatic maneuvers further demonstrate this shift. The "Europe-Gulf Resilience Initiative" aims to establish strategic resilience across security, maritime, energy, and technology, allowing European partners more regional influence and reducing the Gulf's need to accede to US demands [20]. Gulf elites also proposed a "Quad group" comprising Saudi Arabia, Turkiye, Egypt, and Pakistan, signaling a move away from a solely US-centric security architecture [19]. These actions translate into measurable geopolitical bargaining power against both the US and Iran, compelling Washington to justify its value and enhancing the Gulf states' ability to mitigate Iranian attacks [5, 6, 8, 19, 21]. In Q1 2026, the US approved \$45 billion in potential Foreign Military Sales, with 81% (\$36.6 billion) allocated to Middle Eastern allies, including significant purchases by Saudi Arabia, the UAE, Qatar, and Kuwait [19].

Iran's Internal Power Structures Fracture and Centralize

The escalation of conflict has simultaneously fractured Iran's internal power structures and led to a deliberate strategic streamlining and centralization of command, particularly within its military-industrial complex. The assassination of Supreme Leader Ali Khamenei on February 28, 2026, disrupted decision-making and triggered leadership uncertainty, solidifying a hardline shift in the ruling hierarchy [1, 4, 8]. The war inflicted serious economic damage and killed thousands of civilians, creating a "crisis of legitimacy" and elite infighting that points to a state under severe strain [2, 11, 14].

Despite this internal fracturing, the destruction of key military infrastructure and nuclear sites initiated a causal chain of resource reallocation and proxy centralization that shifted power toward Iran's military-industrial complex. Coordinated US and Israeli strikes in February 2026 and June 2025 targeted nuclear facilities, military leadership, and ballistic missile infrastructure, severely weakening Iran's conventional military [3, 8, 11]. However, Iran actively streamlined its command structures to centralize remaining military and proxy resources. Classified intelligence assessments concluded that Iran retains about

70% of its pre-war missile stockpile and can field roughly 70% of its mobile launchers [2]. Furthermore, Iran rebuilt access to 30 of its 33 missile sites along the Strait of Hormuz, demonstrating an antifragile capacity to regenerate and centralize its operational capabilities [2, 5].

Following the February 28, 2026 strikes, the Islamic Revolutionary Guard Corps (IRGC) assumed effective control over governance, defense resource allocation, and proxy command [7, 12, 16]. Key appointments demonstrated this power redistribution: Major General Ahmad Vahidi was appointed IRGC Commander-in-Chief, and Mohammad Bagher Zolghadr became secretary of the Supreme National Security Council (SNSC) following direct demands from IRGC commanders [14, 15, 16, 18]. Mojtaba Khamenei's elevation to Supreme Leader was also advocated by senior IRGC commanders, signaling the Guard's institutional triumph [4, 16, 17]. The IRGC controls 20-40% of Iran's non-oil economy through entities like the Khatam al-Anbiya Construction Headquarters, allowing it to fund operations independently and evade sanctions [13, 16]. The IRGC also asserted authority over the Strait of Hormuz, effectively overruling civilian leadership, and implemented an "open-fire doctrine" for local commanders, expanding the use of missiles beyond strictly military targets [10, 16, 22, 23].

Implications

The escalation of conflict has profound implications for regional stability and power dynamics. For US Gulf allies, the shift towards strategic autonomy means a more complex, multi-vector security environment where the US is no longer the sole guarantor. This could lead to increased regional competition for influence among middle powers and a more fragmented approach to collective security, potentially increasing vulnerability to miscalculation and conflict escalation. The diversification of trade routes and defense partnerships also means that Gulf states have enhanced bargaining power against both the US and Iran, as their reliance on any single external actor is reduced.

For Iran, the internal power shift towards the IRGC and military-industrial complex suggests a more centralized, hardline, and potentially aggressive foreign policy, even as the state grapples with economic and legitimacy crises. The regime's ability to regenerate and centralize its operational capabilities, particularly its missile sites and proxy networks, despite significant damage, indicates a resilient and adaptable, albeit weakened, military posture. This centralization could lead to a more cohesive projection of Iranian influence in the region, potentially exacerbating tensions with its neighbors and external powers.

Limitations and Caveats

The research findings, while comprehensive, contain some limitations. Several key findings regarding geopolitical leverage in the Persian Gulf, operational self-reliance, the conversion of economic vulnerability into strategic leverage, and reciprocal economic/security adjustments were marked as "UNSOURCED," meaning their claims could not be independently verified. Additionally, the research lacks specific quantitative figures for exact percentage increases in defense spending and sovereign wealth fund withdrawals for Gulf allies, as well as specific monthly lost trade revenue figures due to the Strait of Hormuz closure. Detailed data on internal power dynamics within Iran, such as inflation rates and military recruitment numbers in specific regions (e.g., Khuff vs. Tehran), and precise fragmentation/consolidation metrics for individual proxy networks, were also not available. Therefore, while the overall trends are clear, some specific quantitative details remain unquantified.

Sources

- [1] [gov] Crs Product - congress.gov - <https://www.congress.gov/crs-product/R45281>
- [2] [edu] The Political Consequences Of The Iran War - brookings.edu - <https://www.brookings.edu/articles/the-political-consequences-of-the-iran-war/>
- [3] [edu] Us Policy Middle East Second Quarter 2025 Report Card - mei.edu - <https://mei.edu/report/us-policy-middle-east-second-quarter-2025-report-card/>
- [4] [news] Gulf Changed Forever Iran War - nytimes.com - <https://www.nytimes.com/2026/06/26/world/middleeast/gulf-changed-forever-iran-war.html>
- [5] Arab Gulf United States Diplomacy Iran War - carnegieendowment.org - <https://carnegieendowment.org/emissary/2026/03/arab-gulf-united-states-diplomacy-iran-war>
- [6] How The Iran War Could Change The Us Relationship With Gulf - atlanticcouncil.org - <https://www.atlanticcouncil.org/dispatches/how-the-iran-war-could-change-the-us-relationship-with-gulf-states/>
- [7] [news] Gulf Allies Disappointed U S Didnt Notify About Iran Attacks - pbs.org - <https://www.pbs.org/newshour/world/gulf-allies-disappointed-u-s-didnt-notify-about-iran-attacks-and-ignored-their-warnings-sources-say>
- [8] Power Transition In The Middle East The Intersection Of Us G - populismstudies.org - <https://www.populismstudies.org/power-transition-in-the-middle-east-the-intersection-of-us-global-rivalries-and-israels-regional-ambitions/>
- [9] Are Qatar And Saudi Arabia Reassessing Their Reliance On The - quincyinst.org - <https://quincyinst.org/research/are-qatar-and-saudi-arabia-reassessing-their-reliance-on-the-us/>
- [10] Iran Conflict Hits Foundations Of Gulf Economies - stimson.org - <https://www.stimson.org/2026/iran-conflict-hits-foundations-of-gulf-economies/>
- [11] After The Iran War No One Can Guarantee The Gulfs Security - arabcenterdc.org - <https://arabcenterdc.org/resource/after-the-iran-war-no-one-can-guarantee-the-gulfs-security/>
- [12] Geopolitical Shifts In The Middle East - perconcordiam.com - <https://perconcordiam.com/geopolitical-shifts-in-the-middle-east/>
- [13] [news] Trumps Gulf Allies Iran Agreement Disastrous Intl - cnn.com - <https://www.cnn.com/2026/06/24/middleeast/trumps-gulf-allies-iran-agreement-disastrous-intl>

- [14] How Multipolarity Shifts The Logic Of Escalation In Iran - geopoliticalmonitor.com - <https://www.geopoliticalmonitor.com/how-multipolarity-shifts-the-logic-of-escalation-in-iran/>
- [15] [blog] Trumps Gulf Allies Growing Weary - derspiegel.substack.com - <https://derspiegel.substack.com/p/trumps-gulf-allies-growing-weary>
- [16] [peer-reviewed] What Factors Have Driven The Recent Escalation Between Iran - researchgate.net - AUTHORS UNAVAILABLE - https://www.researchgate.net/post/What_factors_have_driven_the_recent_escalation_between_Iran_and_the_United_States_in_2025-2026_despite_the_absence_of_direct_war
- [17] Iran War Strains The Gulf States Strategic Relationship With - english.elpais.com - <https://english.elpais.com/international/2026-06-27/iran-war-strains-the-gulf-states-strategic-relationship-with-the-united-states.html>
- [18] Military Escalation And Diverging Regional Strategies In The - theloop.ecpr.eu - <https://theloop.ecpr.eu/military-escalation-and-diverging-regional-strategies-in-the-middle-east/>
- [19] How Us Iran War May Push Gulf Countries To Diversify Security - aljazeera.com - <https://www.aljazeera.com/news/2026/7/2/how-us-iran-war-may-push-gulf-countries-to-diversify-security-alliances>
- [20] [edu] The Other Mou Launching A Europe Gulf Resilience Initiative - mei.edu - <https://mei.edu/publication/the-other-mou-launching-a-europe-gulf-resilience-initiative-after-the-us-iran-deal/>
- [21] Gulf States Gcc Iran War Three Scenarios - carnegieendowment.org - <https://carnegieendowment.org/2026/04/gulf-states-gcc-iran-war-three-scenarios>
- [22] [wiki] Islamic Revolutionary Guard Corps - en.wikipedia.org - https://en.wikipedia.org/wiki/Islamic_Revolutionary_Guard_Corps
- [23] Appointment Of Mohammad Bagher Zolghadr As Secretary Of The - iran-hrm.com - <https://iran-hrm.com/2026/03/27/appointment-of-mohammad-bagher-zolghadr-as-secretary-of-the-supreme-national-security-council/>