

How does Iran's prioritization of proxy warfare over nuclear diplomacy reconfigure regional power structures and long-term stability by shifting accountability mechanisms away from state-level deterrence to asymmetric influence networks?

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Executive Summary

Iran's prioritization of proxy warfare over nuclear diplomacy has reconfigured regional power structures by shifting accountability from state-level deterrence to diffuse asymmetric influence networks, initially providing plausible deniability but ultimately leading to disproportionate conventional strikes and systemic fragility. This strategy, while decoupling Tehran from immediate conventional threats and imposing asymmetric costs on adversaries, has increasingly tied Iran's security guarantees to volatile non-state actors whose degradation limits its strategic flexibility and erodes long-term regional stability [5, 6, 7, 12].

Key Findings

Asymmetric Networks Lower Deterrence Thresholds but Incentivize Overwhelming Strikes

Iran deliberately deploys diffuse asymmetric proxy networks across the Middle East to project power and challenge adversaries without triggering full-scale interstate conflict, blurring lines of attribution and making traditional deterrence difficult [2, 6]. This "calibrated confrontation" strategy is designed to absorb shocks below conventional war triggers [6]. However, the integration of proxy actions with Iran's state-level nuclear ambitions and missile capabilities creates an "integrated threat matrix" that adversaries view as a singular existential challenge [6]. This conflation incentivized disproportionate conventional strikes, most notably Operation Epic Fury on February 28, 2026, when coordinated U.S. and Israeli airstrikes targeted Iranian leadership, military infrastructure, and proxy networks simultaneously, resulting in the assassination of Supreme Leader Ali Khamenei [3, 4, 9, 12]. While proxies allow Tehran to wage conflict at lower costs, the lack of clear state-level accountability means adversaries are more likely to bypass

incremental responses and deliver overwhelming force [6, 7].

Iran's Forward Defense Model Degrades Host-State Capacity and Creates Systemic Fragility

Iran's proxy strategy structurally erodes host-state capacity by converting sovereign territory into forward operating bases and national institutions into bargaining chips [6]. This is evident in Lebanon, where Hezbollah operates as a parallel military authority, capable of instigating conflict independently of the Lebanese state [6]. The Islamic Revolutionary Guard Corps (IRGC) and its Quds Force (QF) are the primary institutional mechanisms for this, bypassing conventional military chains of command and maintaining centralized oversight over proxy networks [3, 10, 11, 14]. In Syria, the Quds Force established approximately 82 fighting units comprising roughly 70,000 armed men and mobilized the National Defense Forces (NDF) of about 100,000 Syrian fighters, embedding Iranian influence directly within civil society [17, 1]. Similarly, in Iraq, the QF funded and trained groups like Kata'ib Hezbollah and Asa'ib Ahl al-Haq, integrating them into Iraq's security apparatus, with approximately 80,000 Popular Mobilization Forces (PMF) fighters considered Iranian-supported [3, 13, 1].

While some analysts argue these deeply embedded networks function as a resilient "self-perpetuating ecosystem" capable of absorbing shocks and rerouting supply chains [9], prolonged stress exposes profound structural degradation. The Axis of Resistance has suffered considerable fragmentation, with key proxies losing military capabilities and financial resources [8, 12]. The fall of the Assad regime in Syria in December 2024, after Iran spent an estimated \$50 billion supporting the civil war, severed a vital logistical corridor [5, 12]. Hezbollah also suffered severe military attrition, leadership losses (including Hassan Nasrallah's assassination in September 2024), and declining domestic legitimacy, eventually ceding most southern Lebanese positions to the state by April 2025 [5, 12]. This chronic overextension creates systemic fragility that ultimately triggers host-state collapse rather than ensuring durable regional stability [6, 9, 12].

Proxy Investment Decouples Iran from Direct Vulnerability but Limits Strategic Flexibility

Prioritizing asymmetric proxy investment over nuclear diplomacy successfully shields the Iranian regime from immediate conventional threats by shifting accountability away from state-level deterrence [5, 7, 12]. Rooted in a "forward defense" doctrine, Iran projects

power across the region using gray zone tactics that keep conflicts below traditional thresholds for decisive state-level responses, mitigating its conventional disadvantages with decentralized networks of ballistic missiles and UAVs [2, 6]. This decoupling preserved a durable long-term deterrent posture during Operation Epic Fury, despite joint U.S.-Israeli strikes that killed Supreme Leader Ali Khamenei and degraded military installations [3, 4]. Furthermore, cost asymmetry sustained this deterrence, as Iran deployed cheap Shahed-136 drones to evade expensive American missile defenses, imposing greater economic costs on the U.S. than it sustained [3, 4, 9].

However, tying regional security guarantees to non-state actors increasingly degrades Iran's strategic flexibility as these proxies suffer structural degradation and political attrition [7, 8, 12]. Setbacks starting in October 2023 fragmented the Axis of Resistance, with Hezbollah enduring military attrition and leadership losses, the fall of the Assad regime severing a vital logistical corridor, and Houthi capacity limits exposed by mid-2025 [5, 9, 12]. These cumulative losses forced Tehran into "strategic patience" by 2025, implicitly acknowledging its inability to sustain direct warfare with the U.S. or Israel despite maintaining a long-term deterrent posture [12].

Calibrated Gray-Zone Strategy Led to Systemic Fragility and Accelerated Degradation

Iran's historical track record of calibrated gray-zone proxy warfare from 2019 to early 2026 projected asymmetric influence but created systemic fragility that ultimately outweighed its multipolar buffer resilience [6, 12]. The incremental accumulation of network vulnerabilities systematically undermined state-level deterrence. By early 2026, these vulnerabilities had already pushed the proxy model into a phase of "structural degradation," making it harder for Tehran to instrumentalize its networks coherently without triggering full-scale interstate war [8, 12]. Operation Epic Fury on February 28, 2026, acted as an accelerant, precipitating this accelerated structural degradation by targeting leadership (killing Supreme Leader Ali Khamenei), military installations, and missile production sites [3]. While Iran's deeply embedded networks retained resilience, the decapitation strike exposed Tehran's inability to sustain direct conventional warfare against a coordinated adversary [3, 4]. Because nuclear ambitions, missile capacity, and proxy warfare function as integrated instruments of power, Operation Epic Fury not only degraded regional power structures but also eroded trust in diplomatic agreements while intensifying regional proliferation pressures [6, 7, 15].

Financial Costs and Diplomatic Sacrifices Enabled Proxy Networks

The provided research lacks a specific financial breakdown of Iran's proxy costs from 2019-2026 by annual spending on direct subsidies versus military equipment transfers. However, Iran's Quds Force historically allocated an estimated \$700 million to \$1 billion annually across its proxy networks overall, though this funding began dwindling after 2019 due to international sanctions [5, 10]. Iran spent an estimated \$50 billion supporting the Assad regime in Syria before its fall in December 2024 [5].

Several diplomatic negotiations, treaty withdrawals, and multilateral channels were sacrificed or circumvented between 2018 and early 2026 to facilitate resource reallocation toward Iranian proxy networks [3, 10]. The U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA) in May 2018 rescinded U.S. obligations and reimposed sanctions, incentivizing Iran to prioritize asymmetric warfare [3, 16]. In 2023, the Biden administration bypassed congressional review under the Iran Nuclear Agreement Review Act during informal diplomatic negotiations, enabling \$6 billion in transfers to Qatari accounts and access to \$10 billion via Omani banks following a hostage deal, raising concerns about fungibility and diversion to terror proxies [18]. Iran was also placed on the Financial Action Task Force blacklist in 2020, deliberately sacrificing participation in international financial transparency channels to maintain hidden funding mechanisms [18].

Implications

Iran's prioritization of proxy warfare has profound implications for regional stability and future conflict dynamics. The shift in accountability mechanisms away from state-level deterrence means that while Iran can operate below traditional conflict thresholds, it faces the risk of overwhelming, preemptive strikes from adversaries who view its integrated threat matrix as an existential challenge [6, 7]. This dynamic complicates nuclear diplomacy, as regional proxy actions cannot be easily decoupled from nuclear ambitions, making comprehensive agreements more difficult to achieve [6, 15]. The structural degradation of host states and the fragmentation of Iran's proxy networks suggest a future of increased regional instability, as weakened states become more susceptible to internal collapse and external intervention [6, 12]. While Iran's asymmetric cost-imposition strategy remains a deterrent, its reliance on volatile non-state actors limits its strategic flexibility and exposes it to significant setbacks, potentially leading to a more fragmented and unpredictable regional security environment [5, 12].

Limitations and Caveats

The provided research offers a comprehensive overview of Iran's proxy strategy and its impacts, but it has certain limitations. Specific financial breakdowns of Iran's annual spending on direct subsidies versus military equipment transfers for its proxy networks from 2019-2026 are not detailed [5]. Furthermore, while the research notes significant leadership losses and structural degradation within proxy networks, it does not identify specific Iraqi Popular Mobilization Forces (PMF) brigades or Lebanese Hezbollah battalions that were directly decapitated during Operation Epic Fury, nor does it provide current replacement rates for key commanders [5, 12]. The long-term durability of the structural degradation following Operation Epic Fury also presents conflicting trajectories, with some analysts arguing for continued resilience of the Axis of Resistance as a self-perpetuating ecosystem, while others emphasize irreversible losses in military and political capabilities [3, 9, 12].

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