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Insights

Iran After the Crackdown: What Businesses Operating in the GCC Should Monitor and Prepare For

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Key Takeaways

- The Iranian regime suppressed the latest wave of unrest through a wide-ranging security crackdown and limits on communications. But the pressures that sparked the protests — cost of living, state capacity strain, and political anger — remain in place and could reignite quickly.
- Over the next year, absent large-scale foreign intervention, the most likely outcome is a period of brittle stabilization with resurgent protests. The security apparatus can suppress street mobilization, but inflation, currency weakness, energy and water stress, and widening social grievances make renewed protests likely and potentially fast-moving.
- While contained unrest is unlikely to result in a sustained crisis for most companies operating in Saudi Arabia and the UAE, businesses should prepare for short, manageable disruptions. This would likely include travel warnings, flight rerouting, higher freight and insurance costs, elevated cyber risk, and tighter scrutiny of Iran-linked activity.
- A more constructive post-Khamenei trajectory remains possible and would be welcomed across the Gulf, though its emergence depends on succession dynamics that are hard to time. If realized, it could reduce regional risk and open a sizable market.
- The main downside risk is external escalation. Even a limited U.S. or Israeli strike could trigger an outsized Iranian response, quickly disrupting air and maritime corridors, raising war-risk premiums, and increasing cyber and contractor volatility across key commercial hubs.
- Iran has largely settled for now, but it is not stable. Companies should use the current lull to prepare for renewed unrest and for low-probability, high-impact escalation scenarios.

Where are we now?

The Iranian regime used brutal force to stamp out the most recent protests

Protests initially began on December 28 and spread rapidly across Iran amid a sharp deterioration in living standards and broader political anger. The initial spark was a strike and shop closures by merchants in Tehran's Grand Bazaar, following the rial's plunge and a surge in inflation. Within days, demonstrations and strikes moved beyond Tehran's commercial districts into provincial cities; by the second week, protest activity involved hundreds of thousands across all of Iran's 31 provinces.

The regime responded with a sweeping crackdown that combined mass arrests, lethal force, and communications restrictions. Security forces fired directly into crowds in multiple cities. Authorities imposed a near-total internet shutdown beginning January 8, which lasted two weeks, sharply constraining coordination among protesters and on-the-ground reporting. The government also targeted suspected supporters, including by shutting businesses and seizing assets. Death and detention figures remain contested, but thousands were killed and tens of thousands arrested. As the crackdown intensified, street mobilization declined and dissent shifted to lower-visibility forms.

The United States threatened strikes as regional states urged restraint

On January 2, President Donald Trump warned Tehran against deploying mass lethal force, saying the U.S. was “locked and loaded” and would “come to their rescue” if Iran “shoots and violently kills peaceful protesters.” Two weeks later, after thousands of protesters were killed, Trump said he chose not to intervene because Iran claimed it had backed away from planned mass executions. As part of the U.S.-led pressure campaign, Trump announced on January 12 — alongside new designations and sanctions — a 25% tariff aimed at “any Country doing business with the Islamic Republic of Iran.” As no implementing guidance or country list has been published, it remains unclear whether the announcement will result in actionable measures.

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Regional governments — including Saudi Arabia, the UAE, Qatar, Oman, Türkiye, Egypt, and Israel — have largely prioritized de-escalation. They urged Washington to hold off on strikes, warning of blowback against U.S. and other facilities, shipping, and energy exports. Riyadh told Tehran that it would not allow Saudi airspace or territory to be used for attacks. The net effect is a familiar position: Gulf capitals want the Iranian regime contained but not destroyed.

What could happen next?

While Iran’s internal dynamics are difficult to predict, we highlight three scenarios and their potential implications for the GCC and businesses operating there.

Base case: Brittle stabilization with resurgent protests

Our base case is stabilization in Iran, with limited, uneven regime adaptation that does not cross core red lines. The security apparatus has demonstrated that it can suppress street mobilization relatively quickly (that is, absent simultaneous external attacks).

The loyalty of security forces is the regime’s key stabilizer. Without a unified opposition, the system can absorb large protest waves as long as the coercive apparatus holds. The working bargain is straightforward. Clerical authorities set the political rules, control top appointments, and provide ideological cover; the Islamic Revolutionary Guard Corps (IRGC) enforces those rules. In return, the IRGC and allied factions control lucrative contracts and assets, giving senior commanders a direct economic stake in regime survival.

We do not expect major political (or economic or social) change while Khamenei remains in power. Khamenei’s governance model is structurally hostile to meaningful reform. It rests on unwavering revolutionary principles and rejects political liberalization. As a result, any near-term “adaptation” is likely to remain tactical and reversible rather than transformative.

However, we have little confidence that the regime in its current form can meaningfully improve underlying conditions. Even after this crackdown, anger is diffuse, the economic baseline is worse than in prior cycles, and coercion has likely increased the public's willingness to escalate. Renewed protests remain likely over the next year and could be reignited by a number of triggers:

- **Iran is still experiencing severe inflationary pressure, currency volatility, and a loss of purchasing power** that is visible in staple goods. Even if macro indicators stabilize temporarily, the public's lived experience is likely to continue to deteriorate, especially outside core regime constituencies.

- **Iran suffers from energy shortfalls, periodic blackouts, and acute water scarcity.** These pressures create both direct and indirect triggers: direct triggers include outages, fuel price changes and water rationing, while indirect triggers include factory shutdowns, rising unemployment, service disruption. They also limit the regime's ability to buy calm through subsidies.

- **Social and political grievances have broadened.** The protest wave combined cost-of-living anger with explicitly anti-leadership slogans. While the state's approach to social control — particularly on issues such as compulsory hijab enforcement — has become more inconsistent and contested, with visible noncompliance in major cities and shifting enforcement tactics, this should not be interpreted as liberalization.

Implications for business

Even when protests flare up, the knock-on effects for companies operating in the GCC are usually manageable, as long as the situation stays within Iranian borders and does not spill into a wider conflict. The bigger issue is short bursts of disruption: sudden travel warnings, temporary flight rerouting, higher insurance and freight costs, more cyber risk, and greater scrutiny around Iran-related operations. Saudi Arabia and the UAE should remain reliable operating bases, but firms will need to be ready to work through tighter security procedures and occasional connectivity issues. For companies with significant U.S. exposure, the most immediate risk is often policy and compliance whiplash (e.g., new sanctions, secondary measures, and tougher counterparty checks) more than physical disruption in the Gulf.

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Upside scenario: Regime transformation

There is a growing perception inside Iran that the country's current approach is failing: the "resistance economy" strategy has not delivered resilience, and comparisons with Gulf modernization amplify the sense of stagnation. But the regime's efforts at scapegoating, selective anti-corruption campaigns, episodic loosening and tightening of social enforcement, and limited economic concessions no longer seem enough to appease broad swathes of the disgruntled populace.

Even among hardliners, there is the sense that the country needs to move beyond Khamenei and the ideological shackles that Iran has placed on itself. Any meaningful transformation, however, would require a leadership transition. This could open space for the concessions necessary for the country to negotiate an end to the sanctions regime, such as dismantling its nuclear program and ending its support for regional militias. It could also allow the government to begin to address widespread issues of corruption and mismanagement. While this outcome may not occur — or may unfold too slowly to quell a growing protest movement — it represents a plausible path forward, albeit one in which the ruling elite would largely remain in power.

While there are many paths to a wide range of potential outcomes, one plausible result would be a less ideological, less corrupt, and better functioning system of governance than the one currently in place. What that post-Khamenei order looks like depends on which coalition consolidates authority. This includes a broad spectrum ranging from clerical continuity to overt military dominance. One might substitute clerical ideology for nationalism. Another might preserve authoritarianism while softening revolutionary strictures in favor of technocratic governance and external reintegration. Many Iranians appear less interested in lofty ideological projects than in a normal life anchored in a functioning economy and a competent administration.

Such a transformation would be broadly welcomed by the GCC states. While it would offer some degree of competition (i.e. by reintroducing a large, well-resourced Iran into regional markets and investment flows), it would also remove one of the biggest threats to regional stability. The prize is predictability. Gulf states would be less exposed to potential energy shocks and could reduce their reliance on the U.S. for security. They could also benefit from trade, services, and investment opportunities.

Implications for business

If Iran were reintegrated into the global economy, the business impact would be significant. First, it would open a large and largely untapped market for energy services and technology, industrial equipment, healthcare products, and digital offerings, creating early-mover opportunities for firms that can navigate compliance and partner selection. Second, it would reduce the region's risk profile. There would be fewer crisis-driven spikes in air and maritime disruption, lower insurance premiums, and a more predictable operating environment in GCC hubs such as Saudi Arabia and the UAE. For U.S.-exposed companies, the biggest gain would be fewer sudden compliance shocks and counterparty resets.

Downside scenario: Escalation driven by U.S. or Israeli military action

Iranian decision-makers appear to have internalized two lessons from recent confrontations. First, calibrated responses can be read in Washington and Jerusalem as evidence of weakness rather than restraint. Second, deterrence is more likely to hold if Iran can credibly threaten disproportionate costs (especially fatalities and regional economic disruption) rather than symbolic retaliation. This logic increases the risk that even limited Western strikes would produce a larger-than-expected Iranian response. Even a limited U.S. or Israeli strike, especially during bouts of large-scale protests, could be interpreted by the regime as an existential threat.

In practice, we see several broad U.S. strike profiles, each with different escalation dynamics.

- One option would be to target IRGC bases, repressive capabilities, and missile infrastructure. While it might be framed as surgical or limited, it would likely still touch core deterrent assets, making retaliation more probable and widening the target set over time.

- Another option would be to target Iran's leadership or its command-and-control apparatus. This would be overtly regime-threatening and is the most escalatory path. Tehran's incentives in this scenario clearly shift from managing escalation to raising costs until the attacker backs off.

- Finally, though less likely in a first strike, the U.S. could attack or blockade energy facilities. This would increase the potential for retaliation against GCC or international energy targets and could have more widespread repercussions on markets.

In most scenarios, Iran's initial retaliation would likely prioritize U.S. regional military assets (and targets in Israel). U.S. bases in the Gulf are the most obvious, and Iran has demonstrated its willingness to strike them. However, in the past, it appears that such strikes were designed to limit casualties; this is unlikely to be the case if the regime perceives an existential threat.

Although Iran is unlikely to directly target GCC critical infrastructure or energy facilities at the outset, the regime has a number of other ways to increase regional and global economic costs, including cyber attacks, harassment around shipping, threats to tankers, and elevated risk in the Strait of Hormuz.

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However, if the U.S. or Israel targets Iran's energy infrastructure, the risk to GCC energy infrastructure and critical nodes in regional logistics would increase. Gulf governments will seek to preserve neutrality and limit the use of their territory for strikes, but this might not be enough. Iranians may question the value of a détente with Saudi Arabia, for example, if Riyadh is unable to deter Trump. As tensions mount between Iran and the U.S., Iran's leadership is delivering the message that if they go down, they are taking everyone down with them. Regional countries are taking this threat seriously.

Complete regime collapse is an extreme tail risk, unlikely absent sustained intervention that dismantles the apparatus. Mass regime defections are also unlikely unless there is a power vacuum at the top or defectors see a way out. But most of the elites have nowhere to go. For the GCC, the most destabilizing version of this scenario is not simply that Iran is weaker, but that Iran is less governable. A failed or fragmented Iranian state would create immediate spillovers: refugee flows into neighboring states, cross-border smuggling, and more frequent disruptions to maritime security. It would also reshape regional power balances.

Implications for business

For companies with interests in the GCC, this scenario is about sudden, hard-to-manage shocks rather than a slow deterioration. If the U.S. or Israel strikes Iran, Tehran will likely seek to impose costs on the region beyond striking U.S. forces or Israel itself. This disruption is likely to show up first in airspace closures and rerouting, maritime risk around Hormuz, and rapid tightening in war-risk insurance, freight pricing, and coverage exclusions. Commercial hubs and logistics chokepoints (major airports, Jebel Ali, industrial zones, and energy supply chains) could feel immediate knock-on effects even without direct attacks on GCC infrastructure. Firms should also assume an uptick in cyber activity and a more risk-averse contractor and workforce posture. The key business risk is operating continuity under volatility. Companies will need to find ways to move people and goods, keep systems running, and make decisions quickly as conditions and costs shift day to day. Although Iran is unlikely to directly target GCC critical infrastructure or energy facilities at the outset, the regime has a number of other ways to increase regional and global economic costs, including cyber attacks, harassment around shipping, threats to tankers, and elevated risk in the Strait of Hormuz.

What should businesses operating in the Gulf do to prepare?

The base case is manageable and somewhat predictable. The upside scenario entails less inherent risk and even some opportunity. But in the downside scenario, the region could face broad, short-term disruption. Companies should take advantage of the current lull to plan and prepare themselves.

- **Define decision thresholds now.** Establish clear triggers for shifting posture (travel restrictions, shelter-in-place, contractor stand-downs, partial relocations). Pre-agree decision rights between HQ and country leadership to avoid paralysis or delay under time pressure.

- **Stress-test workforce plans.** Update evacuation and family-support protocols, validate school and housing contingencies, and plan for "soft constraints" (voluntary departures, contractor withdrawals, flight scarcity) that often precede formal security incidents.

- **Assume episodic airspace and routing disruption.** Identify alternate routings and staging points for critical spares, time-sensitive medical shipments, and key personnel movement. For aviation-dependent operations, pre-negotiate charter options and medevac pathways.

- **Plan for logistics tightening even without a war.** War-risk premiums and insurer posture can change rapidly. Map dependency on specific ports, freight forwarders, and project cargo lanes; build inventory buffers where interruption would halt operations.

- **Refresh sanctions and trade compliance.** Ensure screening is robust for counterparties, shipping, and financial flows. For U.S.-linked businesses, model exposure to sudden secondary measures and trade restrictions that can expand quickly during crises.

- **Validate insurance and financial resilience.** Confirm political violence and war-risk coverage, clarify exclusions, and stress-test liquidity and payment rails (especially for cross-border procurement) under heightened sanctions and market volatility.

- **Rehearse contractor and EPC behavior under stress.** Review force majeure and hardship clauses, confirm which subcontractors will actually mobilize during elevated risk, and budget for repricing and schedule slippage.

- **Test communications redundancy.** Ensure the ability to operate and communicate if messaging apps, local networks, or international connectivity degrade; pre-position alternate channels and contact trees for staff, suppliers, and regulators.

- **Engage host authorities and embassies proactively**. Maintain points of contact for crisis guidance, regulatory waivers, and movement permissions; do not wait until airspace tightens or curfews are announced.

- **Prepare and align messaging.** Prepare holding statements and escalation protocols for investors, regulators, media, employees, and partners to ensure consistent, credible communication during fast-moving events.

- **Anticipate reputational and political risk.** Map potential pressure points involving sanctions exposure, regional partnerships, or perceived political alignment, and pre-plan response strategies.

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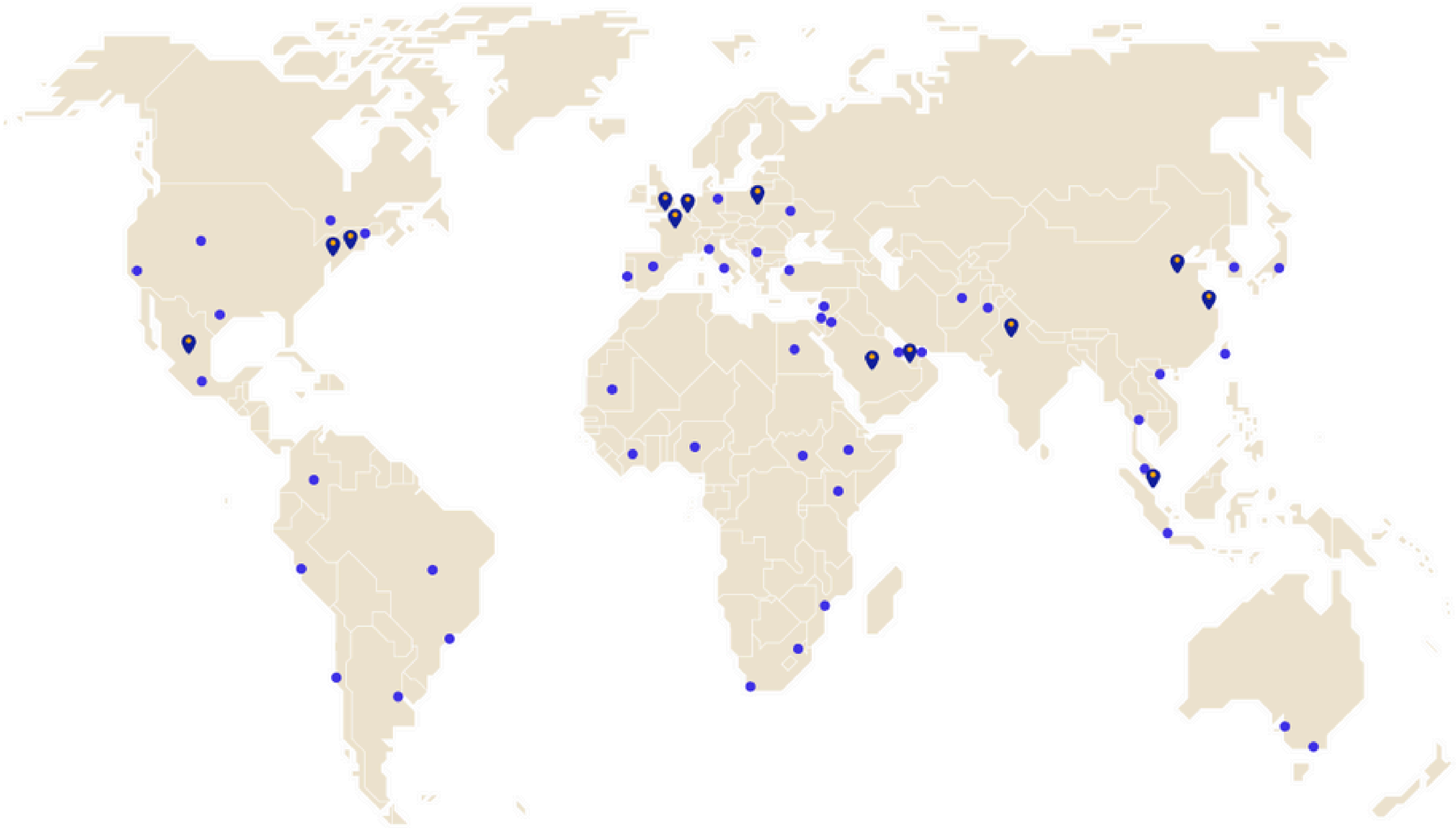

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