The 2026 United States and Israeli Military Conflict with Iran: Implications for International Relations, Global Governance and Security

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Abstract: The 2026 Military Conflict between the United States, Israel and Iran is an example of a local geopolitical shock that can create a domino effect of vulnerabilities in organisations, the economy, energy, transport and security. This problem is described by existing scholarship, on geopolitical risk, systemic propagation, strategic signalling, information uncertainty, energy security and crisis governance. The question remains what these processes do together in a single path of transmission and how institutional capacity affects that path. This study develops the Systemic Vulnerability Framework (SVF), as a mechanism-based analytical architecture but does not claim that the concepts within the framework are new. The framework separates observed events, reported claims, interpretative reactions, and market expectations and systemic effects. This study takes interpretivist qualitative case study design and applies purposive documentary research, thematic analysis, source triangulation and qualitative process tracing. The empirical case spans the time period from 28 February to 31 July 2026; 2025 is only considered as antecedent context. Findings gives qqualified support for the SVF. The evidence is strongest for the geopolitical trigger, strategic signalling and information uncertainty. Market repricing is tightly associated to the revision of information and changing expectations, but information uncertainty is not separable from physical supply disruption, overall geopolitical risk, production and inventory situation, shipping restrictions and speculation. The buffering and constraint pattern is mixed, as suggested by institutional evidence. The study provides a mechanism-based explanation of the systemic nature of geopolitical shocks and provides implications for governance, strategic management, crisis leadership, organisational resilience and anticipatory risk management.

Keywords: Systemic vulnerability, Geopolitical risk, Energy security, Fear premium, Global governance

1. Introduction

This study explores the possibility of the escalation of a local geopolitical conflict to a systemic governance issue. Geopolitical risk research has shown that geopolitical risks and geopolitical threats can impact the economic outcome (Caldara and Iacoviello, 2022). The ssystemic risk scholarship explains propagation across connected systems, governance crisis research emphasises coordination and communication (Ansell, Boin and Keller, 2010) and energy security research conceptualises vulnerability through exposure and resilience (Cherp and Jewell, 2014). Signalling and uncertainty research describes how strategic actions are interpreted when information is incomplete. The un-resolved question is rather a mechanism gap: existing literatures explain important parts, but are not sufficiently in-depth to provide within-case specification of how strategic signalling and information uncertainty can shift expectations regarding future disruption and how risk can be conveyed across interconnected systems.

The research question is: What does information uncertainty about geopolitical conflict mean for market expectations and broader systemic vulnerability, and when and how can it be cushioned or exacerbated under institutional conditions? This study tackles this question by a process tracing architecture at the event level, connecting geopolitical trigger, strategic signalling, information environment, information uncertainty, perceived threshold significance, market expectations, possible Fear Premium, institutional response, and systemic vulnerability.

The empirical case starts 28th February 2026, when the United States and Israel struck Iran with military operations, and Iran responded with military action against United States and allied interests in the region (United Nations, 2026a). The observation period will run until 31 July 2026. Any development in 2025 is considered antecedent context. The study concentrates on strategic signalling, uncertainty about information, threshold relevance, the expectations of energy markets and institutional reactions, especially regarding the Strait of Hormuz. Observed evidence is different from interpretation and projection. Prospective implications, rather than findings, are made when claims are made about long term changes in the international order.

2. Literature Review and Theoretical Contribution

Several known explanations exist in the literature. Realism accounts for conflict in terms of anarchy, competition for power, survival and threat. Private information, incentives to misrepresent, and commitment problems are all linked to conflict in the rationalist bargaining theory (Fearon, 1995). The use of military action, threats and

commitments to signal a willingness to fight or commit is known as signalling theory (Schelling, 1960). Liberal institutionalism provides an understanding of how institutions can help to provide information and cooperation in anarchy (Keohane, 1984). Interdependence scholarship refers to the fact that economic and physical interdependence provide pathways for shocks to flow (Keohane and Nye, 1977). Energy Security Scholarship focuses on the fragility and robustness of critical energy infrastructure (Cherp and Jewell, 2014).

These views describe various components of the problem, none of which alone gives the full picture of the transmission process discussed here. Geopolitical risk studies frequently set up correlation between geopolitical risk and economic outcomes, but provide less within-case detail on the interpretation of the information and how it becomes expectations. The rationalist theory is useful for understanding uncertainty in strategic bargaining, but is less important in the study of commodity market propagation. Signalling theory describes the mechanism of the communication of resolve, but not fully the mechanism of how the ambiguity of the signal turns into an expectation of energy disruption. Institutionalism explains cooperation and coordination, but not much more detail about how institutional capacity shapes the propagation of a rapidly changing geopolitical shock. Interdependence is a structural possibility of propagation but the uncertainty is not specified.

The SVF is thus not presented as a new collection of concepts. Its contribution is to define a mechanism-based architecture for which the existing processes interact after a geopolitical event. It makes 5 additions. First, it takes the analytical focus away from the event in the geopolitical sphere and onto the transmission process that comes after it. Secondly, it regards the uncertainty of information as an intervening condition. Third, it adds a perceived threshold significance as a mediator between strategic signalling and expectations of escalation and disruption. Fourth, it links market reactions to expectations with systemic vulnerability, but doesn't assume that volatility is necessarily a Fear Premium. Fifth, it places institutional capacity as a moderating condition which can buffer or amplify transmission.

The framework is thus presented as follows: geopolitical trigger – strategic signalling – information environment – information uncertainty – perceived threshold significance – market expectations – possible Fear Premium – institutional response – systemic vulnerability. It is not a causal chain that is determined. It is an analytical architecture, whose links must be assessed in terms of timing, actor interpretation, corroboration and alternative explanations. These propositions are: greater ambiguity of strategic signals and strategic thresholds can lead to more uncertainty in information and revisions in expectations; interconnected energy, transportation, economic and security systems can propagate expectation-based geopolitical risk beyond the battlefield; and institutional capacity can influence the propagation of expectation-based geopolitical risk through verification, coordination, strategic communication and diplomatic deconfliction.

3. Methodology

The research method used in this study is interpretivist qualitative with qualitative case study design. It applies purposeful documentary research. Documentary sources include peer-reviewed academic publications, official documents from governments and international organizations, energy and economic reports and datasets, recognised research assessments and credible international reporting primarily for chronology and contemporaneous claims. Primary and institutional sources are given more weight in factual events while academic sources, are used to interpret conceptual and theoretical issues.

The documentary search was based on concept groups such as geopolitical risk, the Iran United States Israel conflict, strategic signalling, information uncertainty, information warfare, escalation thresholds, the Strait of Hormuz, oil market expectations, energy security, systemic vulnerability, governance crisis, institutional capacity, institutional coordination and diplomatic deconfliction. Searches included case terms as well as mechanism terms. The institutions searched included the United Nations, International Energy Agency, International Monetary Fund, World Bank, World Trade Organization, United States Department of Defence and the United States Energy Information Administration. The Study records that the original retrieval log was not preserved, it is not possible to reconstruct the exact historical retrieval counts for each academic search service in the study. The manuscript thus provides a bibliography count instead of creating initial retrieval numbers.

Documents were included when they provided a documentation of a case event, a report of an institutional response, a relevant theoretical analysis, or credible contemporaneous reporting of a case event. Documents were excluded where they were irrelevant, duplicated another document without supporting evidence, included claims that were not backed up by findings or documents and could not be found or corroborated, or covered post cut-off developments without a clear labelling of the prospective purpose. The screening was carried out

by relevance checking, classification of evidentiary, independent checking of contested claims, and mapping to the process tracing matrix.

The categories of coding were: geopolitical trigger; strategic signalling; information environment; information uncertainty; perceived threshold significance; market expectations; possible Fear Premium; institutional capacity and systemic vulnerability. Other explanation codes involved physical supply disruption, shipping restrictions, inventories, production expectations, demand conditions, speculation and general geopolitical risk. Process tracing records are dated, event, source, documentary evidence, mechanism, actor response, alternative explanation and strength of inference. Only selective hoop, smoking gun, straw in the wind and doubly decisive tests are used. The study does not claim statistical causal identification, but rather distinguishes between direct observation and association and mechanism-based inference.

4. Findings and Discussion

The Art of Geopolitical Trigger and Strategic Signalling.

On 28 February 2026, the United States and Israel launched military operations against Iran. The United Nations described the development as a major military escalation and reported that Iran launched attacks following the development in several countries in the region (United Nations, 2026a). By 28 March, the U.S. Department of Defence announced that 28 February was the start of Operation Epic Fury and that over 11,000 targets had been hit and over 11,000 combat sorties flown by that date (U.S. Department of Defence, 2026). This is a good indication of the geopolitical trigger and strategic signalling aspects, but there are also aspects of operational goals, force protection and deterrence that contribute to the conduct observed.

The Information Uncertainty and Threshold Significance.

On 28 February, the United Nations reported that it was still "fluid" and that many reports were still "unconfirmed. It also reported closure of Iranian airspace, and a near total internet blackout (United Nations, 2026a). These observations validate an intervening condition of information uncertainty. The uncertainty related to completeness, time, reliability and verification. It is not the same as information warfare as it can create uncertainty without being manipulated, for example, due to the disruption of communications or due to the nature of the events changing rapidly.

There is more moderate support for thresh old significance as actor perceptions are not directly observable. The conflict was set in a strategic background of Iran nuclear capability and missile power and regional security. Farouk, Osman and El Rashidi (2026) define the proximate trigger threshold as the moment when a major power will shift from diplomatic pressure to kinetic action when it crosses a perceived strategic threshold. Overall, the evidence indicates that threshold significance is likely to be a mechanism, but it does not give direct access to the perception of private decision makers.

Market Expectations and the Possible Fear Premium

Brent crude started 2026 at approximately $61 per barrel and climbed to $118 by the end of the first quarter, following the escalation and disruption of the Strait of Hormuz shipping route (U.S. Energy Information Administration, 2026a). In the second quarter, Brent ranged from about $72 to $118, and the EIA noted "unusually high volatility" due in part to uncertainty about the reopening of the Strait of Hormuz (U.S. Energy Information Administration, 2026b).

One of the most telling observations of the process tracing was on 13 March 2026. After reports that tankers were traversing the Strait, oil futures opened lower on Reuters news, according to Reuters. These reports were later deemed bogus, and Brent ended up 2.67 percent higher at around $103.14 per barrel (Reuters, 2026a). This provides strong evidence of an association between information revision and market repricing. It does not introduce uncertainty in information as the only cause as physical closure remained and there was still expected disruption in the supply and wider geopolitical risks.

The IEA reported severe restrictions to oil flows and significant physical market stress in early April, with the EIA noting the large spreads between front-month futures and spot prices of Brent (International Energy Agency, 2026a; U.S. Energy Information Administration, 2026c). The evidence points to an expectation-based pricing, but the Fear Premium is tentative. Physical scarcity, inventory depletion, competition for replacement barrels, shipping limitations, production losses, demand and speculation cannot be statistically distinguished in the qualitative design.

Systemic Vulnerability

In early April, oil exports through the Strait of Hormuz averaged around 3.8 million bpd, down from over 20 million bpd prior to the crisis, the IEA reported. The disruption impacted crude oil, natural gas liquids and refined products and led to production curtailments and reduced inventories (International Energy Agency, 2026a). Aviation, petrochemicals, consumption of household LPG, and world demand were among the consequences. These observations do not challenge systemic rupture but systemic vulnerability given evidence of cross system exposure and transmission does not prove permanent change in the international order.

Institutional Capacity and Governance

The institutional capacity was evaluated based on concrete governance cases. The United Nations has urged de-escalation and encouraged dialogue, while the April ceasefire period has featured diplomatic engagement, in which Pakistan and other regional actors have been acknowledged as mediators (United Nations, 2026b). The UN thus created a conducive environment for communication and de-escalation but did not cause the ceasefire. United States Iran talks were held in Pakistan for direct engagement. Partial buffering, not conflict resolution, is seen in the deterioration of the ceasefire in the late period.

The IEA tracked oil flows, stocks and market developments and participated in the high-level coordination group of the IMF and the World Bank. The IMF, World Bank and WTO also co-ordinated the assessments on energy, trade, food security and economic spill overs (International Monetary Fund, 2026a, 2026b). These actions are evidence-based of information provision, cross institutional coordination and systemic shock management. They did not return the physical supply and they did not take away the geopolitical trigger. Institutional capacity can thus be considered a conditional moderator and not a panacea.

Following the 17 June memorandum between the United States and Iran, the EIA (U.S. Energy Information Administration, 2026b) reported that oil prices decreased and tanker traffic in the Strait of Hormuz increased. After some recovery of flows in June, renewed price increases were seen in the IEA July assessment (International Energy Agency, 2026b). This shift reinforces the conclusion that there was a relationship between conflict conditions, expectations and physical energy flows, but there was also an alternate explanation that conflict conditions were followed by renewed physical disruption.

Table 1: Process Tracing Evidence Matrix

Date	Observed event and evidence	SVF pathway	Inference
28 Feb 2026	United States and Israel launched military operations; UN described major escalation.	Geopolitical trigger and signaling	Strong direct observation
28 Feb to 28 Mar	Operation Epic Fury; more than 11,000 targets and more than 11,000 combat flights reported.	Strategic signaling and threshold significance	Strong for signaling; moderate for inferred meaning
13 Mar	Tanker movement reports were clarified as false; Brent rose 2.67 percent to about 103.14 dollars.	Information revision, expectations and repricing	Strong association; moderate mechanism inference
Early Apr	Severe Hormuz restrictions; major physical market stress and spot to futures divergence.	Market expectations and possible Fear Premium	Strong market stress; provisional Fear Premium
1 Apr	IEA, IMF and World Bank established coordination on energy and economic impacts.	Institutional coordination and shock management	Strong direct observation; moderate buffering inference
Apr	UN supported dialogue and recognized regional mediation; Pakistan hosted talks.	Diplomatic deconfliction and expectations	Moderate partial buffering
28 May	IEA, IMF, World Bank and WTO reported energy, food and economic effects.	Cross institutional coordination	Strong direct observation; moderate buffering

Date	Observed event and evidence	SVF pathway	Inference
17 Jun	Memorandum followed by increased tanker movement and lower oil prices.	Expectations, transport normalization and repricing	Moderate association
7 to 8 Jul	Renewed hostilities followed partial recovery of oil flows in June and renewed price increases.	Reverse process tracing	Moderate to strong association
31 Jul	Observation cutoff applied.	Scope condition	Direct methodological decision

Alternative Explanations and Limits

The analysis retains several competing explanations. Oil prices could react to real or perceived supply shock, global geopolitical risk, production curtails, inventories, shipping and insurance expense, demand and/or speculation. Institutional constraints can be due to specific bargaining problems, not to institutional weakness as a whole. Reconfiguration of alliances can be situational. Interdependence is not assumed to be a cause of conflict, but rather a structural condition that can be revealed in a conflict. The Fear Premium is not a measured residual, because the qualitative design cannot statistically isolate these factors.

5. Governance and Management Implications

This study has implications for governance, leadership and strategic management, as geopolitical shocks can traverse information environments, energy networks, transportation systems, markets and institutional arrangements. Recognising and managing transmission is therefore a key element of organisational resilience, before it turns into an internal crisis if an external shock happens.

First, institutional capacity needs to be considered as a strategic management capacity: (Onor. 2023). Procedures need to be put in place in advance of any crisis, such as establishing clear responsibilities, information sharing procedures, escalation procedures and cross-functional working. Second, leaders need to institutionalize evidence-based decision making under uncertainty, including the differences between evidence, contested claims, interpretation and projections, and by engaging in scenario planning, early warning, and independent verification. Third, strategic communication must be considered as an integral part of crisis governance. (Ifaloye, Folarin and Duruji, 2022). Fourth, risk management needs to move beyond categories to a more systemic approach to assessing geopolitical, energy, transportation, financial and informational exposure. (Duruji, Fulani, Osimen, and Abdul, 2026) Lastly, anticipatory governance and adaptive leadership involve organisations making decisions in the light of what evidence suggests, but changing their decisions when the evidence does, and coordinating between organisations.

6. Conclusion

Qualified empirical support for the Systemic Vulnerability Framework is provided in the study. The strategic signals and information uncertainty created by geopolitical escalation affected perceptions of future developments. Market evidence suggests that there was a close relationship between information revision and repricing, and that the evidence for the existence of a Fear Premium is still preliminary, due to the presence of physical disruption and other market forces at the same time. Disruptions in energy were widespread across interdependent systems, enabling the application of systemic vulnerability instead of systemic rupture. The institutional responses show an ambivalent buffering and constraint. Diplomatic communication was facilitated by the United Nations and Pakistan, and information, coordination and economic shock management was provided by the IEA, IMF, World Bank and WTO. There was no evidence that institutions had a dominating influence over the conflict or that information uncertainty drove market movements.

The theoretical significance of SVF is, therefore, the assignment of the relationship between well-established concepts in a specific mechanism-oriented explanation of systemic vulnerability. It does not have general laws. They offer a foundation for comparative use and future quantitative evaluation. It is especially helpful for exploring the potential interaction between geopolitical shocks and information uncertainty, information expectations, material interdependence, and institutional capacity in interdependent systems.

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AI Declaration: No artificial intelligence tools were used in the preparation of this manuscript.

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