

The US and Iran are aggressively testing each other's pain threshold just short of a resumption of war that neither appears to want (though another round of fighting can't be ruled out). Attacks and seizures of ships by both sides characterize a messy ceasefire that has kept the Strait of Hormuz closed to international shipping.

Business and economic impacts are multiplying differently across regions of the world. Divisions within Iran's leadership between more pragmatic nationalists and ideological Islamists (on display during negotiations in Pakistan and in recent announcements on the strait) make an agreement with the US harder to reach. President Trump's extension of the ceasefire may be a strategy to see how those Iranian divisions play out under increasing economic deprivation due to the US blockade on shipping in or out of Iranian ports.

Ideal for international business would be a clear agreement to resume free and safe navigation through the Strait of Hormuz, while addressing other issues (nuclear, missiles, proxies and economic incentives for Iran) in a slower track. But that would require Iran and the US to give up significant leverage, while consigning critical issues to long and uncertain negotiations.

Our five scenarios remain valid, but their probabilities have shifted, providing insight into the war's direction. Our partner [VICO](#), an AI model that forecasts political, geopolitical and economic events, provided percentage probabilities for each scenario; the authors have noted where we differ. We also offer a regional analysis of the war's business impacts. After this fourth weekly edition of "Iran War: Implications for Business," we will publish another when circumstances warrant.

1. **Status quo for the next two weeks: 29% (down from 38% last week)** – The Strait of Hormuz remains essentially closed by Iranian threats and the US blockade on Iranian shipping. Negotiations may resume but without a deal that reopens the strait. The ceasefire is shaky, but without significant additional damage to energy and other Gulf infrastructure.
 - The authors believe this probability is understated and should be 40%.
2. **War resumes within two weeks: 68% (up from 55% last week)** – US and Israel resume attacks on Iran, and Iran attacks Gulf energy and civilian targets within two weeks, removing more oil and gas supply from global markets for months or years required for repairs and further damaging Gulf economies.
 - The authors believe this probability is overstated and should be 35%.
3. **Red Sea closes within two weeks: 29% (down from 50% last week)** – War escalates to include Houthis or Iranians attacking shipping in the Red Sea, effectively closing the Suez Canal. This would also impede Saudi Arabia's pipeline exports of 7 million barrels per day.

4. **Strait reopens within two weeks: 3% (down from 7% last week)** – The US and Iran agree to reopen the Strait of Hormuz with a level of certainty that reassures insurers, while other issues (Iran's nuclear, proxy and missile capabilities, as well as sanctions relief) are addressed in longer-term negotiations.
 - The authors believe this probability is understated and should be 20%.

5. **US-China confrontation over Iran within two weeks: 45% (up from 35% last week)** – President Trump and President Xi appear committed to stability in the relationship ahead of their planned summit on May 14-15. However, President Trump said an Iranian-flagged ship traveling from China that US forces intercepted was carrying a "gift from China," raising suspicions of military or dual-use cargo. Any Chinese assistance to Iran's military could trigger US sanctions and Chinese retaliation.

Comparative Regional Analysis

Instead of the sectoral analysis in our previous editions, this week we highlight the war's differing regional impacts on business.

Asia

Beyond the Gulf, Asia has been most impacted, due to its reliance on Gulf crude, LNG and shipping. **Japan** is particularly vulnerable, with an energy self-sufficiency ratio of only 13% and 90% reliance on crude oil that transits the Strait of Hormuz. Reduced supplies of naphtha in Japan are impacting prices of surgical gloves and other medical supplies, with shortages possible in the near future. The Japanese government has instituted fuel-saving policies and consumer companies are reducing delivery frequencies. Japan has released 20 days' worth of oil supplies from its strategic reserve. **South Korea**, with an energy self-sufficiency ratio of 22%, has also released fuel from strategic reserves and is working to secure emergency oil from the UAE. Strong semiconductor exports have mitigated the macroeconomic impacts of price hikes in Korea's energy-intensive sectors. In contrast, **China** appears relatively insulated from the immediate shock due to robust storage and an energy mix less reliant on oil and gas (coal, nuclear and renewables account for three-quarters of its total supply).

The **Philippines, Vietnam and Pakistan**, as well as other countries in South and Southeast Asia, are suffering extraordinary fuel price increases directly impacting businesses; fertilizer and diesel have become unaffordable for many farmers, threatening food security. Many governments have implemented stringent austerity measures, including energy rationing, work-from-home mandates and shortened work weeks.

Europe

Europe has experienced a substantial industrial and consumer price shock. The **European Commission** has outlined two scenarios: first, a durable ceasefire, in which shipping routes reopen and prices stabilize within months, starting with jet fuel and diesel, but LNG markets remain constrained until 2030 due to infrastructural damage in Qatar, and second, a protracted conflict with Europe facing difficulties meeting energy demands this winter. The European Commission has proposed cutting electricity taxes, coordinating gas purchases and summer storage refills, and faster electrification to reduce dependency on imported fossil fuels.

The International Energy Agency has warned that Europe has about six weeks of jet fuel stocks, though some estimates extend that. Jet fuel prices have increased far more than oil, impacting passenger and air freight prices. Air cargo rates from Vietnam to Europe, for example, have nearly doubled. Airlines in Europe are cutting unprofitable short flights.

Beyond energy and transportation, European chemicals and energy-intensive manufacturing have been severely affected. **Germany** recently halved its 2026 growth forecast to just 0.5%, while the **UK's** 2026 growth forecast declined from 1.3% to 0.8%.

Middle East

The Middle East has received the most direct and multidimensional business shock. The United Nations Development Programme (UNDP) warned the conflict could cause a profound and unprecedented economic crisis across the region, potentially plunging four million people into poverty and wiping out up to 6% of the region's economic output. UNDP estimates that a month of conflict costs the region US\$194 billion in lost output, exponentially worsening if fighting continues and structural weaknesses sink in. The crisis is particularly acute in **Gaza, Lebanon and Syria**, which are already facing massive reconstruction needs, while **Egypt, Iraq and Jordan** risk being tipped into severe economic distress. Oil-producing Gulf states traditionally finance regional reconstruction, but may be unable to this time because of their own reconstruction from attacks on energy production.

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Latin America

Latin America is splitting along the familiar oil-exporter/importer line, but with an interesting overlay in how the fertilizer supply chain is quietly reshaping the region's agribusiness outlook. **Brazil** imports roughly 85% of its fertilizers, and Iran was the third-largest urea supplier in 2024. Soy planting decisions for the 2026/27 cycle are already disrupted. Although barely covered internationally, this is the most discussed economic concern in Brasilia now.

Brazil, Colombia, Guyana, Ecuador, and Trinidad and Tobago benefit marginally from higher energy prices. The IMF's latest World Economic Outlook projects Latin American and Caribbean growth of 2.3% in 2026 and 2.7% in 2027, with Brazil up by 1.9% this year.

Venezuela, frequently cited as a beneficiary, is not in practice. PDVSA's collapsed operational capacity hinders scaling output in the short term. Higher prices help regime cash flow, not Venezuelan supply. **Argentina** is the genuine supply story. Vaca Muerta combined with President Milei's RIGI investment framework can add barrels within 12 to 18 months, with YPF and the majors already moving.

Non-oil-exporting nations are worse off. **Mexico** stands out: a net gasoline importer, with President Sheinbaum inheriting rising subsidy pressure and a bleeding Pemex. Central American and Caribbean importers face deeper debt and fuel strain. Regional inflation is projected to rise to 6.6% this year before easing to 4.2% in 2027, driven by fuel, transport and food costs.

Africa

Africa is the most vulnerable region for macro-economic, fuel and food impacts. Developing economies across Africa are experiencing varied impacts, with oil exporters faring slightly better than oil-importing nations. **Nigeria and Angola** face broader economic constraints (including higher domestic fuel prices) but not immediate fuel shortages like import-reliant nations. Higher shipping and transport costs are driving up the price of commodities, both imports and bulk exports. Transportation of fertilizer, already costing more, can raise prices up to 45%. Fertilizer supply (80% dependent on imports) remains constrained. Diesel and oil-dependent sectors, such as mining, are also under strain.

Financial markets have also been impacted. The **South African** rand dropped more than 6% against the dollar in March, with continued volatility and declines in April. Many African governments have had to intervene with subsidies or tax relief programs to protect consumers. African corporations have also lobbied for corporate relief, particularly in **Kenya**, calling for lower employee taxes to help manage rising costs. In the long term, the crisis is expected to spur growth in renewables to reduce reliance on imported fuel.