

GEOPOLITICAL RISK OBSERVATORY

# Israel-Iran Conflict: risks and potential mitigating factors

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The evolution of the conflict between Israel and Iran hinges on several variables, starting with the actual effectiveness of the Israeli intervention in neutralizing Iran's defense capabilities, weakening its nuclear program, and potentially triggering regime change in Tehran. Crucial to these objectives will be the extent of any direct U.S. involvement and the positions taken by Russia, China, and Arab countries.

Israel's primary aim is to prevent Iran from acquiring nuclear weapons and, in the longer term, to bring down the Ayatollahs' regime.

Should the U.S. maintain its interest in avoiding direct entanglement in a war with Tehran, Israel might be prompted to continue its strikes, with the more limited goal of inflicting significant damage on Iran's nuclear infrastructure.

The future course of events is also likely to be influenced by the scale of the damage Israel is able to inflict—possibly rekindling an American temptation to contribute to a “final blow” to Iran's enrichment capabilities or even to regime collapse.

Potential mitigating factor: The U.S. might ultimately stick to the multiple declarations—especially under Trump's leadership—of avoiding getting involved in any new Middle Eastern conflicts. Washington could then exert pressure on Netanyahu to suspend military operations, with the goal of reopening nuclear negotiations and swiftly ending hostilities.

Iran's military retaliation could take several forms, ranked below in ascending order of likelihood:

- Targeting Saudi oil facilities to destabilize energy markets.

Mitigating factor: This option would likely lack China's support, given its dependence on Iranian oil and fears of reciprocal attacks on Iran's own infrastructure.

- Closing the Strait of Hormuz to disrupt global trade or escalating Houthi attacks on shipping in the Red Sea.

Mitigating factor: Such action would not only deprive Iran of a critical revenue stream but also trigger a harsh response from the international community—politically, economically, and militarily. Iran's regional proxies are currently weakened, and the probability of direct U.S. intervention would rise sharply.

- Conducting asymmetric attacks on Israeli and Western civilian or military targets abroad.

Mitigating factor: Iran would risk provoking severe retaliation and might end up strengthening the cohesion of the Western bloc.

- Accelerating uranium enrichment efforts.

Mitigating factor: Tehran would foreclose the option of negotiation and undermine U.S. efforts to restart diplomatic talks.

More broadly, the trajectory and possible escalation of the conflict will also depend on the nature of Chinese and Russian involvement. Both countries are allies of Tehran and have signed military and economic agreements with the regime.

Mitigating factor: Beijing and Moscow may provide discreet support to Iran but are unlikely to risk direct confrontation with the United States.

In parallel, the international spotlight on the Israel–Iran conflict, combined with the perception that the current geopolitical climate rewards preemptive action, might embolden China and Russia to exploit other fronts—respectively, Taiwan and the war in Ukraine.

On the economic front, risks stem from the impact of the conflict on oil and gas prices, which could compound existing concerns over the security of global trade routes.

Mitigating factors: Both the U.S. and China (a major importer of Iranian crude) would be adversely affected by energy market disruptions and interruptions to regional trade routes—impacts that would amplify inflationary pressures and disrupt global value chains.