

Kingdom Report

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Part 2 : An Analysis of the Israel - Iran War

After a week of war I want to provide a current analysis from various sources of: What is the economic and social state of Iran and Israel, What is happening on the war front, What are the prospects ahead. Upfront let me state this...Neither Iran or Israel emerge out of this war intact or better off. It is a disaster for both nations and danger to the world

I. Executive Summary

The direct state-on-state war that erupted between the State of Israel and the Islamic Republic of Iran on June 13, 2025, represents a paradigm-shifting event in the modern history of the Middle East. This conflict, characterized by large-scale aerial campaigns and unprecedented missile barrages, was not a sudden conflagration but the violent culmination of long-simmering, deeply interconnected crises within both nations. This report provides a comprehensive analysis of the war's origins, its initial phase of combat operations, its devastating economic and social consequences for Israel, the significant American military intervention, and the strategic outlook for a conflict that promises to reshape the region for decades to come.

The analysis reveals that the war was precipitated by a convergence of profound internal vulnerabilities. Iran entered the conflict from a position of extreme domestic fragility, besieged by the most severe and prolonged economic crisis in its modern history. Skyrocketing inflation, currency collapse, mass unemployment, and widespread malnourishment had fueled acute social discontent, leading the regime to face credible warnings of a popular revolution. For Tehran, an external war, while immensely risky, may have been perceived as a desperate gamble to rally nationalist sentiment, justify internal repression, and divert public anger from its systemic failures.

Concurrently, Israel was a nation under immense strain, still reeling from the social, economic, and psychological trauma of the 20-month war in Gaza that began on October 7, 2023. The conflict had fractured its society over issues like military conscription, crippled key economic sectors, and ballooned its national debt.³ However, the trauma of October 7 also forged a new, more aggressive national security doctrine. This doctrine, born from a "never again" ethos, prioritized pre-emptive action to eliminate existential threats, chief among them Iran's advancing nuclear program.⁵ This created a paradox of a nation that was simultaneously socially exhausted and militarily emboldened, setting the stage for a high-stakes confrontation.

The initial phase of the war, codenamed "Operation Rising Lion" by the Israel Defense Forces (IDF), saw Israel leverage its technological superiority to conduct a campaign of degradation and decapitation. Israeli aircraft achieved unprecedented air superiority over Iran, striking deep within its territory to hit nuclear facilities, missile production sites, and senior military

leadership. Iran retaliated with a campaign of attrition and terror, launching hundreds of advanced ballistic missiles and drones at Israeli population centers and strategic sites. While Israeli air defenses proved highly effective, they were not hermetic; Iranian missiles caused dozens of casualties and struck high-value targets, shattering the Israeli public's sense of security.

The economic consequences for Israel have been catastrophic. The daily cost of the war with Iran, estimated at up to \$1 billion, is layered on top of the immense financial burden of the Gaza conflict, pushing the nation towards a crisis of solvency.¹¹ Key sectors like tourism have collapsed, and an unprecedented wave of emigration, particularly a "brain drain" from the vital high-tech industry, threatens the very foundation of Israel's modern economy.

The conflict immediately drew in the United States, which has deployed a massive concentration of military power to the region in a defensive capacity. With two aircraft carrier strike groups, advanced fighter squadrons, and robust ground-based air defenses, the U.S. has become a de facto co-belligerent, actively intercepting Iranian projectiles and providing the logistical backbone for Israel's war effort.¹⁵ This deep entanglement places the U.S. on a knife's edge, with any Iranian escalation against American assets threatening to trigger a much wider regional war.

The strategic outlook is grim. The most probable scenario is a protracted "controlled confrontation," a grinding war of attrition that will further exhaust both nations. The conflict has shattered the old rules of the "shadow war," creating a new, more volatile era of direct confrontation. It has become a contest of endurance: Iran's ability to absorb damage versus Israel's ability to sustain a high-cost campaign that its fractured society and bleeding economy may not be able to support. The aftershocks of June 2025 will define the geopolitical landscape of the Middle East for the foreseeable future.

II. The Precipice: Pre-War Vulnerabilities and Strategic Calculus

The war that began in June 2025 cannot be understood as an isolated military event. It was the violent expression of years of escalating pressure, strategic realignment, and, most critically, profound internal decay within the primary belligerents. Both Iran and Israel approached the conflict from positions of deep-seated vulnerability, albeit of different kinds. For Iran, it was the systemic collapse of its economy and the fraying of its social fabric, pushing the regime toward desperate measures. For Israel, it was the exhaustion and societal fracture resulting from the prolonged Gaza war, which paradoxically forged a more aggressive and pre-emptive military doctrine. This section will analyze the pre-war conditions that shaped the strategic calculus of both nations and made a direct confrontation almost inevitable.

Iran's Unraveling State: A Regime on the Brink

In the months leading up to the war, the Islamic Republic of Iran was experiencing what its own senior economists and state-affiliated media described as the deepest and longest economic crisis in its modern history. This was not a cyclical downturn but a fundamental, systemic failure, the result of decades of international sanctions, rampant corruption, chronic mismanagement, and structural inefficiencies that left the nation's economy "fundamentally broken".

The macroeconomic indicators painted a picture of complete collapse. By late 2024 and early 2025, inflation had skyrocketed to over 40%, with some pessimistic forecasts projecting it could surpass 50%. This hyperinflationary environment caused the Iranian rial to plummet in value, becoming the world's least valuable currency and eviscerating the purchasing power of ordinary citizens. The International Monetary Fund (IMF) projected that Iran's nominal GDP, a measure of its economic size in global terms, would contract precipitously from \$401 billion in 2024 to just \$341 billion in 2025, a shocking decline driven by the currency's freefall. Real GDP growth was projected to be a mere 0.3% in 2025, a state of near-total stagnation. This economic decline was exacerbated by a steep drop in oil exports, Iran's traditional lifeline, due to newly imposed and more aggressively enforced U.S. sanctions under the Trump administration.

This economic catastrophe translated directly into a social crisis of immense proportions. By 2025, between 27% and 50% of the Iranian population was living below the poverty line, a dramatic increase from previous years.¹ A 2024 report from the ministry of social welfare found that an astonishing 57% of Iranians were experiencing some level of malnourishment. Basic foodstuffs like meat and cooking oil became unaffordable luxuries for a majority of the population by January 2025. The crisis decimated the labor market, with one Majlis report indicating that 50% of males between the ages of 25 and 40 were unemployed and had given up looking for work. This desperation fueled a mass exodus of human capital, a "brain drain" that saw over 50,000 students and 3,000 female nurses emigrating annually, further hollowing out the nation's future potential.

The systemic nature of the crisis was most evident in the country's chronic energy shortages. Decades of underinvestment, poor maintenance of aging equipment, and wasteful subsidies led to a full-blown energy crisis. By February 2025, power was going out nationwide for three to four hours every day, crippling what remained of industrial activity and daily life. A massive blackout struck Tehran and other major cities on February 11, 2025, underscoring the state's inability to provide even the most basic services.

This combination of economic despair and state failure ignited widespread social unrest. The early months of 2025 were marked by a series of anti-government protests and mass labor strikes in critical sectors like transportation. The government's response was repression, but the threat of a larger uprising loomed. The leadership was acutely aware of this danger; in November 2024, the state-run

Islamic Republic newspaper published a stark warning to the regime of an impending "revolution by poor people". This internal pressure cooker created a desperate strategic environment. The regime's primary focus was survival, and it was facing an existential threat not from an external enemy, but from its own disillusioned and impoverished population.

This context is crucial for understanding Tehran's strategic decision-making. The choice to engage in a high-stakes military confrontation with Israel cannot be viewed as a simple act of aggression from a position of strength. Rather, it can be interpreted as a desperate, high-risk gamble by a leadership that felt its back was against the wall. An external war, particularly against a reviled ideological enemy like Israel, offered a potential, albeit perilous, escape valve. It provided an opportunity to invoke a powerful "rally 'round the flag" effect, shifting the national focus from domestic misery to external threat. It could be used to justify a more severe crackdown on internal dissent under the guise of national security and, perhaps most importantly, distract a population on the verge of revolt. The alternative was to passively await a potential internal collapse. Faced with these choices, the path of external conflict,

however dangerous, may have appeared to be the more proactive option for regime preservation.

Furthermore, the regime's intense focus on its internal crises likely led to a critical strategic miscalculation. As it slow-played nuclear negotiations in Oman in early 2025, demanding indirect talks and acting as if it held the stronger hand, it failed to accurately read the strategic environment in Jerusalem and Washington. Iran's leadership, perhaps emboldened by its proxies' actions against Israel in 2024, seemed to believe it could dictate the terms and timeline of diplomacy. It did not appear to recognize that the trauma of October 7 had fundamentally altered Israel's risk tolerance or that the Trump administration had set a firm 60-day window for the talks to yield results. This divergence in perception—Iran believing it had time, while Israel and the U.S. were operating on an urgent, non-negotiable clock—created a collision course where a violent outcome became almost certain.

Israel's War-Weary Society: A Nation Under Strain

While Iran was imploding from within, Israel was contending with a different but equally profound set of challenges. The nation entered 2025 as a society stretched to its breaking point by the longest and one of the costliest wars in its history. The conflict with Hamas in Gaza, which began with the devastating attacks of October 7, 2023, had raged for over 20 months, exacting a brutal toll on Israel's economy, its social cohesion, and its collective psyche.

The economic impact was staggering. The Bank of Israel estimated that the direct and indirect costs of the Gaza war would amount to \$55.6 billion by 2025, a figure equivalent to 10% of the nation's GDP. Other estimates placed the cost even higher, at over \$67.5 billion by the end of 2024 alone. This massive expenditure, primarily on military operations and civilian support, blew a hole in the national budget. A modest pre-war surplus transformed into a substantial deficit, reaching nearly 7% of GDP in 2024 and projected to remain high at around 5-7% in 2025. Consequently, the national debt, which had been on a downward trend for years, surged past 66% of GDP and was projected to climb as high as 76%.

The war effort caused severe disruptions across the economy. The mobilization of approximately 300,000 reservists—many of whom were key employees in the private sector—and the suspension of work permits for some 85,000 Palestinian laborers created a massive manpower shortage. The construction and agriculture sectors, heavily reliant on Palestinian workers, were crippled. The broader economy ground to a halt. In the final quarter of 2023, the Israeli economy shrank by 20% as consumer spending fell 27%, business investment plummeted by nearly 68%, and exports declined by 18%. While there was a modest recovery, the overall GDP growth rate collapsed from a robust 6.5% in 2022 to a mere 2% in 2023, and then further to just 0.7% in 2024.³ The IMF's outlook for 2025 was pessimistic, downgrading growth forecasts and warning of persistent risks.

Beyond the economic strain, the war exacerbated deep-seated social and political fractures, threatening the very fabric of the nation's social contract. The most explosive issue was the refusal of the ultra-Orthodox (Haredi) community to participate in mandatory military service. As secular and religious Zionist Israelis served multiple, extended rounds of gruelling reserve duty in Gaza and the north, the Haredim's blanket exemption became a source of intense public rage.⁴ The issue came to a head in June 2025, when the government's failure to pass a new conscription law led the ultra-Orthodox political parties to threaten to support a no-confidence vote and collapse Prime Minister Benjamin Netanyahu's coalition, even as the

country was on the brink of war with Iran. This political crisis highlighted the growing chasm between different segments of Israeli society and the government's instability at a moment of extreme national peril.

Yet, this picture of a strained and fractured nation is incomplete. The trauma of October 7, 2023, also acted as a powerful catalyst, forging a new, more aggressive, and uncompromising national security doctrine. The attack was seen as a "seismic event" that fundamentally reshaped the region and Israeli strategic thinking. The old doctrine of deterrence and containment was deemed a catastrophic failure. In its place emerged a new consensus that Israel must act pre-emptively and decisively to eliminate any threat deemed existential.

This new doctrine was codified in the IDF's strategic plan for 2025. The military leadership viewed 2025 as a "defined year of war," with a clear focus on fighting a multi-front conflict. This strategy had two core pillars: first, "Operation Gideon's Chariots," an intensified campaign to decisively defeat Hamas in Gaza and secure the release of all hostages; and second, preparing for and executing a direct confrontation with Hamas's ultimate patron, Iran, to neutralize its nuclear and missile capabilities. The prolonged Gaza war, while exhausting, had also provided the IDF with 20 months of continuous combat experience, operational refinement, and the political justification for a "never again" policy that demanded a final reckoning with Tehran.

This created a profound paradox at the heart of the Israeli state on the eve of the war. Militarily, the nation was more proactive and confident than ever, preparing to launch a complex, long-range offensive against a major regional power. Yet, socially and economically, it was arguably at its most vulnerable point in decades—exhausted, divided, and fiscally overstretched. The decision to attack Iran was therefore a strategic choice born from a position of perceived military opportunity but profound underlying societal weakness. The ultimate success of such a campaign would depend not just on the skill of its pilots and the precision of its bombs, but on a level of national resilience and economic endurance that was already in question.

Metric	Iran (2024-2025)	Israel (2024-2025)
Real GDP Growth	0.3% (2025 proj.)	0.7% (2024), 3.2-3.6% (2025 proj.)
Inflation Rate	>40%	~2.7% (2025 proj.)
Unemployment Rate	50% (males 25-40)	~3%
Budget Deficit (% of GDP)	Growing	~7% (2024), 4.7-5.7% (2025 proj.)
Debt-to-GDP Ratio	High domestic borrowing	>66%, rising to 69-76%
Currency Status	Rial collapsed, world's least valuable	Shekel stable but under pressure

Table 1: Pre-War Economic Indicators (Iran vs. Israel, 2024-2025). This table starkly illustrates the asymmetric economic conditions preceding the conflict. Iran's economy was

in a state of comprehensive collapse, while Israel's, though severely stressed by the Gaza war, maintained the fundamentals of a developed economy.

Asymmetric Arsenals: A Clash of Military Doctrines

The military confrontation between Iran and Israel was destined to be a clash of profoundly different force structures and strategic doctrines. Each side's military capabilities were a reflection of its geopolitical position, technological base, and national strategy. Iran, isolated and under sanctions for decades, had invested in asymmetric capabilities to offset its conventional weaknesses. Israel, a technologically advanced nation backed by a superpower, had built a force centered on intelligence and air power dominance.

Iran's military power rested on two pillars: mass and missiles. Its armed forces were numerically large, with a combined total of around 800,000 personnel divided between the regular army (Artesh) and the more ideologically driven Islamic Revolutionary Guard Corps (IRGC). However, its conventional equipment, particularly its air force of roughly 350 antiquated combat aircraft sourced from the U.S. pre-1979, the Soviet Union, and Russia, was no match for modern Western technology. To compensate, Iran had poured its resources into developing the largest and most diverse ballistic and cruise missile arsenal in the Middle East. This inventory included a wide array of systems with varying ranges and payloads, such as the Sejil, Kheibar, and Khorramshahr missiles, capable of striking any target in the region, including all of Israel. Alongside its missiles, Iran had also become a prolific producer of unmanned aerial vehicles (UAVs), or drones, such as the Shahed series used by Russia in Ukraine and the more advanced, long-range Mohajer-10. This doctrine of missile and drone warfare was designed to deter attack and, if deterrence failed, to overwhelm enemy air defenses through sheer numbers, inflicting unacceptable damage on an adversary's home front. The ultimate trump card in this strategy was its nuclear program. By early 2025, international monitors assessed that Iran had expanded its nuclear activities to the point of being on the verge of a "breakout," possessing enough highly enriched uranium to produce fissile material for as many as ten nuclear weapons in a short period.

Israel's military, the IDF, was structured on the opposite principle: technological superiority over numerical mass. With a smaller active force, the IDF's doctrine was built on several key pillars. The first was intelligence dominance, leveraging the capabilities of its intelligence agencies to achieve a deep understanding of its adversaries' plans and capabilities, enabling precision and pre-emption. The second was overwhelming air power, centered on a modern fleet of American-made F-15, F-16, and F-35 stealth fighter jets. The third was a robust, multi-layered air defence network, comprising the Iron Dome (for short-range rockets), David's Sling (for medium-range missiles and cruise missiles), and the Arrow system (for long-range ballistic missiles), designed to provide a near-hermetic shield for the home front. Israel's strategy was not to engage in a symmetric attritional battle but to use its intelligence and air power to conduct swift, decisive campaigns that degraded enemy capabilities and decapitated their leadership, thereby neutralizing threats before they could fully materialize. This approach was vividly demonstrated in October 2024, when Israel reportedly conducted a covert operation to dismantle key parts of Iran's air defense network, paving the way for a future air campaign. While Israel's capabilities were formidable, it was not without vulnerabilities. Its reliance on complex, high-maintenance U.S. aircraft meant that readiness could be a challenge, with some key fighter platforms reporting low mission-capable rates in 2024.

Metric	Iranian Armed Forces (early 2025)	Israel Defense Forces (IDF) (early 2025)
Total Active/Reserve Personnel	~800,000+ (Army + IRGC)	~170,000 active, ~465,000 reserve (Standard data)
Key Air Assets	~350 antiquated planes (U.S., Soviet, Russian)	Advanced fleet of F-15, F-16, F-35 jets
Ballistic Missile Arsenal	Largest in Middle East; ranges up to 2,000 km (Sejil, Khorramshar) <small>32</small>	Jericho series (assumed capability)
Drone Technology	Extensive production (Shahed, Mohajer-10)	Advanced, integrated with air force operations
Air Defense	Layered but vulnerable (S-300, domestic systems)	Multi-layered, highly effective (Iron Dome, Arrow)
Nuclear Status	Near-breakout; HEU for ~10 weapons	Assumed nuclear power (undeclared)

Table 2: Comparative Military Capabilities (IDF vs. Iranian Armed Forces, early 2025). This table highlights the fundamental asymmetry between the two militaries. Iran's strength lay in its quantity of personnel and missiles, while Israel's advantage was rooted in superior technology, particularly in air power and air defence.

III. The Campaign: "Operation Rising Lion" and the Missile War

The direct military confrontation that began on June 13, 2025, marked the violent transition from a decades-long "shadow war" to an open, state-on-state conflict. The initial phase of the war was defined by two distinct but interconnected campaigns. Israel launched "Operation Rising Lion," a complex and far-reaching air campaign designed to systematically dismantle Iran's strategic capabilities. In response, Iran unleashed a massive retaliatory missile and drone assault aimed at overwhelming Israeli defences and terrorizing its civilian population. This section provides an operational summary of these initial hostilities, detailing the targets struck and the damage inflicted on both sides.

The State of Hostilities: Israel's Air Campaign

Israel's offensive, codenamed "Operation Rising Lion," was not a hasty retaliation but a meticulously planned military campaign described as a "calculated and multi-layered military operation" that was the culmination of years of strategic preparation. The publicly stated objective was unambiguous: to eliminate what Israel's leadership defined as the "existential Iranian threat," specifically its nuclear and long-range missile programs. The operation was built on the IDF's core doctrines of intelligence dominance and air superiority.

A critical precursor to the main assault occurred months earlier, on October 26, 2024, when Israeli forces reportedly conducted a covert operation that "dismantled key segments of Iran's air defense systems". This preliminary strike was designed to create a vulnerable

corridor into Iranian airspace, setting the conditions for the main air campaign. Once Operation Rising Lion commenced, this effort was intensified. Analysis of commercially available satellite imagery shows that between June 12 and June 19, the IDF struck at least six Iranian Ghadir long-range early warning radar systems located across the country, from Kurdistan Province in the west to Yazd Province in the center.⁹ The degradation of these radars, which have a detection range of 1,100 kilometers, was essential for blinding Iran's integrated air defense network and allowing the Israeli Air Force (IAF) to operate with greater freedom.

The success of this strategy was demonstrated by the unprecedented reach and audacity of the IAF's subsequent strikes. The IDF established what it termed "aerial superiority from western Iran to Tehran," allowing its aircraft to operate deep inside the country, seemingly at will. In one notable overnight operation, a massive wave of over 70 IAF fighter jets penetrated Iranian airspace and operated over the capital, Tehran, for approximately two and a half hours, striking dozens of targets before returning to base.⁷ The psychological impact of this was immense; as one IDF spokesperson declared, "The road to Tehran is open... Tehran is no longer immune".⁷ Israeli pilots, now flying the route regularly, began to jokingly refer to the air corridor to Iran as being "as busy as Highway 6," Israel's main north-south freeway.

The Israeli target set was comprehensive and strategically focused on crippling Iran's ability to project power and develop weapons of mass destruction. Strikes were confirmed against a wide range of assets

Nuclear Infrastructure: The campaign systematically targeted key nodes of Iran's nuclear program. This included strikes on the Arak Heavy Water Reactor, which could support a plutonium-based weapons path; the sprawling nuclear facilities at Natanz and Isfahan, hitting enrichment halls, uranium conversion infrastructure, and equipment storage sites; and the heavily fortified, deep-underground Fordow enrichment facility.⁸ Israel also targeted centrifuge production facilities in and around Tehran.

Military-Industrial Complex: The IAF struck dozens of military industrial sites involved in the research, development, and production of ballistic missiles, including a critical facility producing raw materials for solid-fuel rocket engines. A key target was the headquarters of SPND, an organization central to Iran's nuclear weapons research program.

Leadership and Command and Control: In parallel with the infrastructure strikes, Israel conducted a sophisticated decapitation campaign against Iran's senior military and security leadership. Targets included Islamic Revolutionary Guard Corps (IRGC) command centers and the headquarters of Iran's internal security forces in Tehran. This campaign achieved stunning successes, including the reported killing of several top-ranking officials, most notably the overall commander of the IRGC, Hossein Salami, and the Armed Forces General Staff Chief, Mohammad Bagheri. This demonstrated an extraordinary level of intelligence penetration into the highest echelons of the Iranian regime.

Iran's Retaliatory Barrage: A War on the Home Front

Faced with a devastating assault on its strategic assets and leadership, Iran retaliated with the primary weapon in its arsenal: its massive inventory of ballistic missiles and drones. The Iranian campaign was aimed not at achieving military parity but at inflicting unbearable pain

on the Israeli home front, overwhelming its sophisticated but finite air defenses through saturation attacks.

The scale of the barrage was unprecedented. In the first 24 hours of the conflict alone, Iran launched over 200 ballistic missiles at Israel. Over the course of the first week, the total number of projectiles fired climbed to approximately 400 ballistic missiles and around 1,000 drones. This sustained assault put immense pressure on Israel's civil defense systems and its population.

As the conflict progressed, Iran began to deploy more technologically advanced and challenging weapon systems. This included the first-ever use of the Sejil, a two-stage, solid-fueled medium-range ballistic missile, and the Khorramshahr-4. The latter posed a new and disturbing threat, as it was armed with a cluster munition warhead designed to disperse dozens of small explosive submunitions over a wide area, increasing the potential for civilian casualties.

While Israeli air defenses intercepted the vast majority of incoming threats—over 95% of drones and most missiles—the sheer volume of the Iranian salvos ensured that some projectiles would get through. This demonstrated that Israel's defensive shield, while formidable, was not hermetic. The impacts that did occur appeared to follow a targeting strategy focused on sowing terror in major population centers and hitting sites of strategic and symbolic importance. Confirmed targets struck by Iranian missiles inside Israel included:

Civilian and Residential Areas: Multiple missiles struck densely populated urban areas. Direct hits were reported on homes and apartment buildings in Tel Aviv and its suburbs of Ramat Gan and Rishon LeZion, as well as in the northern Arab-Israeli city of Tamra. These strikes caused dozens of deaths and hundreds of injuries among civilians.

Symbolic and Critical Infrastructure: Iran aimed at targets designed to cause maximum disruption and psychological impact. One of the most significant attacks was a ballistic missile strike on the Soroka Medical Center in Beersheba, the largest hospital in southern Israel, which reportedly injured over 200 people.⁹ Another major strike caused a fire near the BAZAN Group oil refineries in the northern port city of Haifa. In a direct challenge to Israel's international standing, an Iranian missile also caused damage to the U.S. embassy branch office in Tel Aviv.

Scientific and Academic Institutions: In a move that seemed to be a direct retaliation for Israel's long-standing targeting of Iranian nuclear scientists, a missile barrage caused heavy damage to the campus of the prestigious Weizmann Institute of Science in Rehovot.¹⁰ The strike hit several buildings, "literally decimated" multiple laboratories, and destroyed years of scientific research, sending a chilling message to Israel's academic and scientific community.

This clash of campaigns revealed the core strategic logic of each side. Israel was waging a war of degradation, using its technological superiority to systematically destroy Iran's capability to build and launch advanced weapons. Iran was waging a war of attrition, using its numerical superiority in missiles to inflict a level of psychological and economic pain on the Israeli populace that it hoped would eventually break Israel's will to continue the fight. The initial phase of the war demonstrated that both sides could successfully execute their chosen strategies, setting the stage for a bloody and protracted conflict.

	Israel	Iran
Key Targets Hit	Soroka Medical Center (Beersheba) ; Weizmann Institute of Science (Rehovot) ¹⁰ ; Residential buildings (Tel Aviv, Rishon LeZion, Tamra) ; BAZAN oil refinery area (Haifa) ; U.S. Embassy branch office (Tel Aviv).	Nuclear facilities (Natanz, Fordow, Arak) ; IRGC & Internal Security HQs (Tehran) ; Missile production & storage sites ; Ghadir long-range radars (nationwide) ; Senior leadership (IRGC Cmdr. Salami, others).
Reported Casualties	At least 24 killed, over 380 wounded.	At least 639 killed (including 263 civilians, 154 security personnel), over 1,300 wounded.

Table 3: Confirmed Damage and Casualty Report (as of June 20, 2025). This table provides a consolidated, factual summary of the physical consequences of the war's initial phase. It highlights the different targeting philosophies of the belligerents and provides a preliminary assessment of the human cost.

IV. The Human and Economic Toll on Israel

The war with Iran did not occur in a vacuum. It was the violent crescendo of a 20-month period of multi-front conflict that had already placed unbearable stress on Israeli society and its economy. The direct confrontation with Tehran dramatically amplified these pressures, inflicting a severe human and economic toll that threatens the country's long-term stability and prosperity. The war's impact is most evident in two critical areas: an unprecedented wave of emigration that is hollowing out the nation's most valuable human capital, and a catastrophic economic bleed that is crippling key sectors and pushing the state toward a crisis of solvency.

The Exodus of Talent: Emigration and the Crisis of Confidence

One of the most alarming and potentially irreversible consequences of the prolonged war environment has been a surge in emigration from Israel. The constant threat of conflict, the immense strain on daily life, and the deepening social divisions have led to a crisis of confidence in the nation's future, prompting a significant number of Israelis, particularly the young and highly skilled, to leave the country.

The official data reveals a stark and accelerating trend. In 2024, a year dominated by the Gaza war and escalating tensions with Iran's proxies, a record 82,700 Israelis left the country for a year or more. This figure represents a 50% increase over the already high number from 2023 and is more than double the annual average of the preceding decade. When factoring in new immigrants and returning Israelis, the country experienced a net negative migration balance in 2024—an extremely rare demographic event for a nation built on the concept of Aliyah (immigration). This outflow is not evenly distributed across the population; it represents a "brain drain" of the country's most educated and economically productive citizens. Data from 2023 shows that 39% of emigrants came from the wealthy central districts of the country, including the economic hub of Tel Aviv. The emigrants are disproportionately young, with a median age of around 32, meaning Israel is losing its next generation of professionals, entrepreneurs, and scientists at the peak of their productive years.

This trend has hit Israel's most important economic engine, the high-tech sector, with particular severity. The "Startup Nation" model, which has driven Israel's economic growth for two decades, is built on attracting and retaining world-class talent. The war is actively undermining this model. A report by the Israel Innovation Authority found that in the nine months following the October 7 attack, approximately 8,300 high-tech employees—about 2.1% of the entire local tech workforce—left the country for long-term relocation. This exodus contributed to a landmark negative trend: in 2024, for the first time in at least a decade, the total number of people employed in the Israeli high-tech sector actually decreased, shrinking by about 5,000 workers. The war environment has made it difficult for Israeli companies to do business globally, with many foreign airlines suspending service for long periods, prompting firms to encourage their employees to relocate to their target markets in the United States and Europe. This exodus of talent strikes at the very heart of Israel's economic identity. As one member of a Knesset committee starkly warned, "If scientists, researchers and physicians will no longer be here, the entire State of Israel will not be able to prosper". The war is not just costing Israel money; it is costing the nation its future.

The Economic Bleeding: Unsustainable Costs and Sectoral Collapse

The financial cost of fighting a multi-front war, culminating in a direct conflict with a major regional power, has been nothing short of catastrophic for the Israeli economy. The state is hemorrhaging money at a rate that is fundamentally unsustainable, leading to a rapid deterioration of its fiscal position and the collapse of entire economic sectors.

The direct military costs are staggering. According to a former financial adviser to the IDF chief of staff, the daily cost of military operations in the war against Iran alone is estimated to be between \$725 million and \$1 billion. The first 48 hours of Operation Rising Lion, including the initial offensive strikes and defensive interceptions, cost an estimated \$1.45 billion. These immense expenditures are layered on top of the already colossal costs of the Gaza war, which were projected to reach \$55.6 billion by 2025.²² To fund this, Israel's defense budget has ballooned, projected to reach \$31 billion in 2025—nearly double its pre-war level in 2023. This spending has pushed the government's budget deficit to alarming levels and sent its debt-to-GDP ratio soaring, with some projections suggesting it could reach 76% of GDP. To compensate, the government has been forced to implement unpopular austerity measures, including an increase in the value-added tax (VAT) from 17% to 18% at the beginning of 2025.

This combination of massive war spending, labor shortages, and a pervasive sense of insecurity has devastated key sectors of the Israeli economy:

Tourism: Once a vibrant part of the economy, the tourism sector has effectively collapsed. Since the start of the Gaza war, the sector has incurred record losses of \$3.4 billion, with the number of tourist arrivals dropping by over 90%. Most major international airlines have suspended flights, and hotel occupancy rates have plummeted to as low as 10% in some areas. Many hotels that remain open are not serving tourists but are being paid by the government to house tens of thousands of Israelis evacuated from the conflict zones in the north and south.

Construction and Agriculture: These sectors have been crippled by a severe labor shortage resulting from the call-up of hundreds of thousands of reservists and the suspension of work permits for Palestinian laborers, who formed the backbone of their workforce.

High-Tech: While parts of the tech sector, particularly those related to defence and cybersecurity, have remained resilient, the industry as a whole is facing significant headwinds. Beyond the "brain drain," the climate of uncertainty has led to a decline in new startup formation and early-stage investment, which are the lifeblood of future innovation. An extended war of attrition is likely to further deter foreign investment and make it increasingly difficult for Israeli firms to compete globally.

Overall Economy: The damage is widespread. By July 2024, an estimated 46,000 businesses in Israel had been forced to close due to the economic impact of the war.²² In a symbolic blow, the port of Eilat, Israel's southern gateway, declared bankruptcy after seeing no significant economic activity for eight months. The long-term outlook is dire. One forecast warned that the conflict could result in \$400 billion in lost economic activity over the next decade, driven by reduced investment, slowing productivity, and labor market disruption.

This confluence of factors is creating a looming crisis of national solvency. The government is caught in a vicious cycle: it must fund a massively expensive war through increased debt and higher taxes, while the very economic base needed to support this effort is shrinking due to sectoral collapse and the emigration of its highest-earning taxpayers. This path is unsustainable and will inevitably force deep and painful cuts to social services, education, and infrastructure, further degrading the quality of life and potentially fueling even more emigration. The war is not only a military struggle but an economic one, and it is a battle that Israel is currently losing.

V. The American Response: Deterrence and Deployment

The outbreak of direct war between Israel and Iran immediately triggered a massive and rapid military response from the United States. While publicly maintaining a posture of defensive support and holding back from direct offensive strikes, the scale and nature of the American deployment have made the U.S. an indispensable and de facto co-belligerent in the conflict. The U.S. has positioned an overwhelming concentration of naval, air, and ground-based assets in the U.S. Central Command (CENTCOM) Area of Operations (AOR) to defend Israel, protect American forces and interests, and provide President Donald Trump with a range of flexible options as the crisis evolves. This section provides a detailed inventory of the American force composition and analyzes its strategic implications.

Force Composition in the CENTCOM Area of Operations (AOR)

The U.S. military buildup in the Middle East in June 2025 is one of the most significant force projections in recent years, demonstrating a capacity to surge overwhelming power into the region on short notice. The deployment is multi-domain, encompassing a formidable array of naval, air, and ground assets.

Naval Assets: The cornerstone of the American response is a massive concentration of naval power, centered around two full aircraft carrier strike groups (CSGs).

The USS Carl Vinson CSG, which had been on station in the Arabian Sea for months, provides a powerful presence in the Persian Gulf and Gulf of Oman, positioned to provide security for U.S. bases and commercial shipping lanes.

In a major strategic move, the USS Nimitz CSG was rerouted from its deployment in the Western Pacific and is heading to the Middle East, expected to arrive by the end of June.¹⁵ The presence of two carriers in the region simultaneously—a rare occurrence—provides U.S.

commanders with immense and redundant offensive and defensive firepower. Each CSG consists of a supercarrier with an air wing of over 60 aircraft, at least four Arleigh Burke-class guided-missile destroyers, and is typically accompanied by a Ticonderoga-class cruiser and a fast-attack submarine.

In addition to the carrier groups, dedicated destroyers have been positioned for the direct defense of Israel. The USS The Sullivans and the USS Thomas Hudner are operating in the Eastern Mediterranean, where they have been actively engaged in intercepting Iranian ballistic missiles targeting Israel.¹⁵ Other U.S. destroyers are deployed in the Red Sea to counter threats from Iranian proxies.

Air Assets: The naval deployment has been matched by a rapid and substantial buildup of air power.

Fighter Squadrons: The U.S. has surged advanced fighter aircraft into the region. This includes F-35 Lightning II stealth fighters from their permanent European base at RAF Lakenheath in the UK, F-16 Fighting Falcons from Aviano Air Base in Italy, and a squadron of twelve F-22 Raptors—the premier U.S. air superiority fighter—from Langley Air Force Base in Virginia.⁵³ These aircraft have been deployed to forward operating bases such as Muwaffaq Salti Air Base in Jordan and Prince Sultan Air Base in Saudi Arabia.

Aerial Refueling: The key enabler for this rapid airpower projection was a massive and sudden deployment of approximately 30 KC-135 Stratotanker and KC-46 Pegasus aerial refueling aircraft from the continental U.S. to staging bases in Spain, Germany, Greece, and the UK.¹⁶ This "armada of aerial refueling aircraft" was explicitly intended to provide "options to President Donald Trump" and the flexibility to support sustained, long-range air operations across the Middle East.

Strategic Bombers: While not actively deployed in the conflict's initial phase, the U.S. holds in reserve its fleet of B-2 Spirit stealth bombers. These aircraft are the only platform capable of delivering the 30,000-pound GBU-57 Massive Ordnance Penetrator (MOP), a bunker-busting bomb that is widely considered the only weapon in the U.S. arsenal capable of destroying Iran's deeply buried Fordow nuclear facility.³⁴ The credible threat of their use represents a significant element of escalation dominance held by the United States.

Ground-Based Assets and Personnel:

Troop Levels: The number of U.S. military personnel in the Middle East has surged from a typical baseline of around 30,000 to approximately 40,000 troops.¹⁵ These forces are on a heightened state of alert at bases across the region.

Air and Missile Defense: The U.S. has deployed its own ground-based air defense systems to bolster the protection of Israel and key regional partners. This includes U.S. Army Patriot surface-to-air missile batteries and a Terminal High Altitude Area Defense (THAAD) battery, which are integrated into the regional air defense architecture and have been used to intercept Iranian projectiles.

Key Regional Bases: The entire operation is supported by a network of major U.S. military installations, including Al Udeid Air Base in Qatar, which serves as the forward headquarters for CENTCOM and houses some 10,000 troops; Naval Support Activity Bahrain, home of the U.S. Fifth Fleet; and Camp Arifjan in Kuwait, a primary logistics hub.

Category	Assets Deployed or Available (June 2025)	
Naval Forces	USS Nimitz Carrier Strike Group (en route); USS Carl Vinson Carrier	

Category	Assets Deployed or Available (June 2025)	
	Strike Group (on station); Destroyers USS The Sullivans, USS Thomas Hudner (Eastern Med); Additional destroyers (Red Sea).	
Air Forces	F-22 Raptors (12); F-35 Lightning IIs; F-16 Fighting Falcons; KC-135 & KC-46 Tankers (~30); B-2 Bomber capability (on standby).	
Ground Forces & Personnel	~40,000 troops in region; U.S. Army Patriot batteries; THAAD battery.	
Key Regional Bases	Al Udeid (Qatar); NSA Bahrain; Camp Arifjan (Kuwait); Prince Sultan AB (Saudi Arabia); Muwaffaq Salti AB	

Table 4: U.S. Military Deployment to CENTCOM (June 2025). This table provides a consolidated order of battle for the significant U.S. military force surged into the Middle East. The multi-domain nature of the deployment underscores a posture designed for robust defense, regional deterrence, and flexible offensive options.

Strategic Posture: The Defensive Shield

The official strategic posture of the United States has been carefully articulated as defensive in nature. U.S. officials have repeatedly insisted that American forces have not taken any offensive actions against Iran and that the purpose of the massive deployment is to "enhance our defensive posture," protect U.S. forces in the region, and defend the state of Israel.

However, this "defensive" posture is highly active and interventionist. U.S. warships in the Eastern Mediterranean and U.S. fighter jets patrolling the skies have been directly involved in combat operations, shooting down Iranian ballistic missiles and drones aimed at Israel. The U.S. is also providing a constant stream of munitions and interceptors to Israel via C-17 cargo flights, as well as the critical intelligence and early warning data needed to make its air defense system effective. In effect, the U.S. is providing the defensive shield and logistical backbone that enables Israel to prosecute its own offensive campaign against Iran.

This posture places President Trump in a complex and precarious position. He has issued bellicose warnings to Tehran, declaring that "we now have complete and total control of the skies over Iran" and hinting at a desire for a "much bigger" outcome than a ceasefire. Yet, he has so far refrained from ordering direct U.S. offensive strikes, mindful of the significant risks of a wider war and a potentially divided political landscape at home. This has created a state of strategic ambiguity, where Iran is left to guess at the precise red lines that would trigger a direct American attack.

This deep entanglement means the distinction between "defensive" and "offensive" involvement is largely semantic. From Tehran's perspective, the United States is an integral component of Israel's war machine. The U.S. warships firing on Iranian missiles are engaging in direct acts of war. The U.S. tankers refueling Israeli jets are enabling the strikes on Iranian soil. This reality makes it almost inevitable that, should Iran choose to escalate, it would view American bases and personnel in the region as legitimate targets. The U.S. is therefore not a third party to this conflict; it is a participant walking a tightrope, one misstep or one Iranian miscalculation away from being plunged into a full-scale, declared war.

Furthermore, the decision to surge such overwhelming force into the Middle East carries a significant geopolitical message that extends far beyond Tehran. At a time when the central pillar of U.S. grand strategy is the "pivot to Asia" to deter China, the deployment of two of the Navy's eleven carrier strike groups and its most advanced stealth fighters to a secondary theater is a massive statement. It demonstrates to rivals in both Beijing and Moscow that despite being stretched, the United States retains the political will and logistical capability to project decisive military power in more than one major theater simultaneously. It is a high-stakes, high-risk demonstration of enduring American global power, intended to deter any potential adversaries from attempting to take advantage of a perceived distraction in the Middle East.

VI. Strategic Outlook and Scenarios

The initial, violent phase of the Israel-Iran war has shattered the long-standing regional paradigm of proxy warfare and deniable attacks, ushering in a new and far more dangerous era of direct state-on-state confrontation. As the conflict grinds on, the strategic outlook remains highly fluid and fraught with risk. The future trajectory will be determined by the interplay of military endurance, economic resilience, domestic political stability, and the critical decisions made in Washington. This final section will synthesize the preceding analysis to evaluate the most likely scenarios for the conflict's evolution and assess the new strategic reality it has created for the Middle East.

Evaluating Potential Outcomes

Based on the current state of hostilities and the strategic calculus of the key actors, four potential outcomes can be outlined, each with a different level of probability.

1. Controlled Confrontation (High Probability): This scenario, which analysts currently view as the most likely path, involves a continuation of the existing dynamic without a major escalation involving direct U.S. offensive action. In this protracted war of attrition, Israel would continue its air campaign to degrade Iran's nuclear, missile, and military-industrial infrastructure, aiming to inflict sufficient damage to permanently set back these programs. Iran, in turn, would endure the Israeli strikes while seeking to reconstitute its capabilities and launch retaliatory missile and drone barrages whenever possible to impose a continuous cost on the Israeli home front. This scenario points toward a grinding conflict that could last for several weeks or even months, characterized by periodic, intense exchanges of fire. The primary risk within this scenario is collateral damage to regional energy infrastructure or shipping, which could alter the strategic calculus.

2. Broader Conflict Involving the U.S. (Medium Probability): This represents the most significant downside risk and the most direct path to a catastrophic regional war. While the Trump administration has so far held back, a direct U.S. offensive intervention could be triggered by several factors. The most likely trigger would be a deliberate Iranian attack on U.S. military assets or personnel in the region, or a successful Iranian attempt to disrupt global energy supplies by closing the Strait of Hormuz. A joint U.S.-Israeli offensive, particularly one employing American bunker-busting munitions against facilities like Fordow, would likely be decisive in destroying Iran's known nuclear sites.³⁷ However, it is not guaranteed to end the conflict. Such an attack would almost certainly provoke a wider response from Iran and its remaining proxies, potentially drawing in neighboring countries and leading to a conflagration with devastating economic and humanitarian consequences across the entire Middle East.

3. Diplomatic Off-Ramp (Low Probability): In this scenario, the Iranian regime, battered by Israeli strikes and facing the threat of total economic collapse, could seek a diplomatic exit. Tehran might approach the U.S. with a proposal for a ceasefire in exchange for a return to earnest nuclear negotiations, hoping to gain a respite to rebuild and reconstitute its forces. While this would be a constructive outcome from the perspective of de-escalation, its probability is low. Israel, having established military dominance and being driven by a new doctrine to permanently eliminate the Iranian threat, would have very little incentive to agree to a deal that leaves the core of Iran's nuclear knowledge and missile capabilities intact. For Israel, the goal is not a temporary truce but a permanent alteration of the regional balance of power. Furthermore, any deal that required Iran to completely dismantle its nuclear and missile programs would likely be viewed internally by the regime as tantamount to unconditional surrender, making it politically untenable.

4. Iranian Regime Collapse (Low Probability): While the combination of a devastating war, a shattered economy, and a deeply disaffected population places the Iranian regime under unprecedented pressure, its outright collapse remains a low-probability wildcard. Authoritarian regimes can often prove surprisingly resilient, and the state's security apparatus, though targeted, remains formidable. However, such events are notoriously difficult to predict, and a sudden internal fracture or popular uprising that overwhelms the state's repressive capacity cannot be entirely ruled out. Such an outcome would plunge the region into a new phase of profound uncertainty.

The New Strategic Reality

Regardless of which scenario ultimately unfolds, the war of June 2025 has already permanently altered the strategic landscape of the Middle East. The old "rules of the game," which confined the conflict to the shadows, have been irrevocably broken. The threshold for direct, overt state-on-state military attacks has been crossed, creating a new, more volatile, and more dangerous strategic environment.

The conflict has evolved into a fundamental contest of endurance. Iran's strategy is predicated on its ability to absorb immense military and economic damage while inflicting enough continuous pain, terror, and disruption on the Israeli home front to eventually break its political will and societal cohesion. Israel's strategy, conversely, is predicated on its ability to sustain a high-tempo, high-cost military campaign long enough to achieve its maximalist goal of permanently crippling Iran's strategic weapons programs. It is a race between the degradation of Iran's military capability and the exhaustion of Israel's national resilience.

The long-term consequences for both nations will be severe. For Iran, the war will accelerate its economic collapse, condemn another generation to poverty and isolation, and further entrench its status as a pariah state. For Israel, the war is an existential threat to its modern identity. The catastrophic economic costs, the collapse of key industries like tourism, and, most critically, the accelerating "brain drain" of its most talented citizens are a direct assault on the "Startup Nation" model that has underpinned its prosperity.

Ultimately, the war has deepened the region's dependence on the United States, the only external actor with the power to decisively shape the outcome. The massive American military deployment has, for now, backstopped Israel and deterred a wider escalation. However, it has also made the U.S. a central player in a conflict it cannot easily control, leaving its forces vulnerable and its strategic focus diverted from other global priorities. The aftershocks of the Fulcrum of Fire that was ignited in June 2025 will continue to radiate

across the region and the world, defining the contours of Middle Eastern geopolitics for many years to come.