AXIS INSTITUTE

“HOPE? AT LAST” INSIDE THE CLOSURE OF HORMUZ

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“Hope? at Last”: A Twelve-Month Review

Scenario Trajectories and Switching Conditions, July 2025 – July 2026

A companion assessment to “Hope? at Last” Ports, Proxies, and Partitions: 2035 MENA Regional Outlook

About This Review

This review is a twelve-month companion assessment to “Hope? at Last” Ports, Proxies, and Partitions: 2035 MENA Regional Outlook, published by Axis Institute in July 2025. “Hope? at Last” is an empirical scenario analysis mapping out regional trajectories and policy levers in the Middle East and North Africa through 2035. It is not a predictive analysis forecasting the likelihood of future events. Scenario modelling is built on a two-axis matrix of regional order (integrated Gulf-led trade alignment vs. fragmented contested order) against regional security policy (deterrence peace vs. negotiated reform). Monte Carlo simulations over the region's highest-leverage variables generated a primary scenario alongside three alternatives and the switching conditions under which probability shifts from one scenario to another as early signals accumulate. The study’s purpose was to give policymakers a disciplined basis for judging which levers pull the region away from its most dangerous paths, not a single forecast to be vindicated or falsified.

The present assessment does not revise the original study, rerun its simulations, or reopen its country analysis. It reflects twelve months of evidence from July 2025 to June 2026 while holding the original instrument fixed, the two-axis matrix, the four scenarios, the Monte Carlo engine, and the published switching conditions that govern movement between scenarios. The review assesses how the probability of each scenario has moved and what that movement indicates for the period ahead. The question this note addresses is not whether the study was correct, but where that instrument now points. The question mark in the title is retained throughout, because the skepticism it carries toward an outcome that is plausible but not assured is precisely what this assessment exists to test.

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Summary

The study's primary scenario, "Hope? at Last", combined an integrated Gulf-led order with a deterrence-based peace. It is one of four plausible futures the study built to stress-test policy, not to predict it. Each scenario was tied to a set of switching conditions designed to register when the region moves away from one path and toward another. Twelve months on, the system has not resolved into any single scenario. It has moved in a clear direction where the Gulf-led integrated order is holding under severe stress. The regional security policy the study treated as a stabilizer has inverted in effect. Israeli deterrence remains intact and the United States security architecture still frames every regional outcome, but the same architecture that was supposed to contain escalation has instead been the channel through which escalation spread. This is the central finding of the review, and it is developed in Chapter 3.

The structural calls the study made on Iranian retrenchment, on the marginalization of Palestinian political authority, and on Lebanese demilitarization are tracking in the direction the study projected, yet through more violent and more externally imposed mechanisms than the study described. The Saudi-Emirati relationship is the sharpest test. The political fracture the study flagged as a risk is now visible and accelerating, yet a structural interdependence the study did not model is holding the two states to a shared regional outcome at the infrastructural level. This offsetting dynamic is the assessment's own contribution.

The dominant shock of the period is the closure of the Strait of Hormuz following the Iran war that began on 28 February 2026. It is still propagating through the macroeconomic system at the time of writing, so this assessment is made inside the lag, before the shock has fully landed. The probability mass has moved off the primary scenario toward the Cascading Wars boundary on the security axis while remaining anchored on the integrated-order axis. The system is best read not as a transition into any single alternative but as a stressed hybrid. The primary scenario remains reachable under a redefined corridor logic with shared infrastructure that bypasses Iranian reach.

Key Findings

Security assumption beneath the primary scenario has inverted in effect, not collapsed.
Israeli deterrence remains intact and operative but has functioned as a source of regional instability rather than its container, and the United States has redefined its own role from a security guarantor to architect.

Structural destinations are tracking, but through more kinetic and externally imposed mechanisms.
Iranian retrenchment, Palestinian political marginalization, and Lebanese demilitarization are all moving in the direction the study projected, but by routes that themselves stress scenario stability conditions.

The Saudi–Emirati political fracture the study flagged as a risk is active.
Political divergence is accelerating; both states are forced onto shared infrastructure to absorb the Hormuz chokepoint crisis, creating the structural counterforce this review identifies as the primary scenario's persistence path.

Probability has moved the primary scenario toward the Cascading Wars boundary on the security axis.
The system is best described as a stressed hybrid rather than a transition into any one alternative scenario. The primary scenario remains reachable only under the redefined corridor logic and regional coordination.

The study's most heavily weighted variable, water-stress differential, activated destructively.
Direct strikes on Gulf desalination infrastructure, weak underground and plant reserve buffers. Absent shared GCC water-grid arrangement is the most important outcome for regional order and the next assessment.

CHAPTER 1

Review Framework and The Macroeconomic Setting

The "Hope? at Last" study constructed four scenarios from two axes of uncertainty. Beyond the primary scenario, the three alternatives were Fortress Gulf (same integrated order under negotiated reform); Cascading Wars (fragmented order under deterrence peace); and Cold Peace in Spheres (fragmented order under negotiated reform). Relative plausibility was assessed through a semi-parametric Monte Carlo engine running 50,000 draws per scenario on a fixed seed. The study stated explicitly that these were not forecasts but internally coherent futures for revealing risk and informing policy.

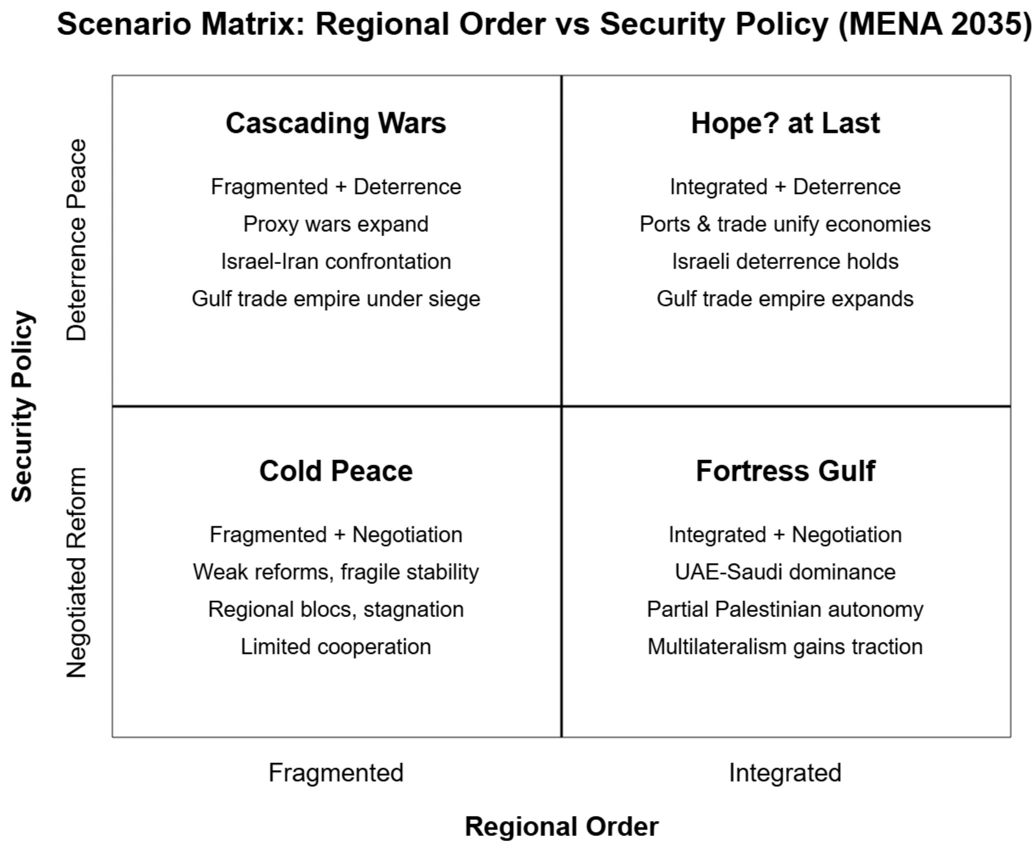

Figure 1. *Scenario matrix for MENA 2025-2035, defined by two structural axes: regional order (fragmented to integrated) and security policy (negotiated reform to deterrence peace). The matrix yields four mutually exclusive scenarios used as the parameterized inputs for the "Hope? at Last" Monte Carlo simulation.*

The instrument the study built to register movement between scenarios was its set of switching conditions. The study identified three hinges on which the primary scenario's durability rests: post-war Gaza arrangement that relieves pressure on the broader regional order, a routinized Israeli deterrence posture that avoids multi-front escalation with Gulf coordination, and bankable corridors whose risk premia become manageable. It then specified, period by period from 2025 to 2035, the observable signals that would indicate the system locking toward Fortress Gulf, drifting toward Cold Peace in Spheres, or moving into Cascading Wars. This review applies that instrument as the study intended it, as a means of reading early signals rather than presenting a forecast scorecard.

The dominant shock of the review period, the closure of the Strait of Hormuz following the Iran war in February 2026, remains in progress. The Strait is still effectively closed, with transit at roughly four to five percent of its pre-war level and approximately 1,550 commercial vessels stranded in and around the Gulf as of early May 2026.[3] The macroeconomic consequences are not yet fully realized. Federal Reserve Bank of Dallas modeling of a one-quarter Hormuz closure finds that effects build up over time with the impact propagating through energy prices rather than landing as a single shock. The largest headline-inflation effect falls in the first quarter after closure and continues building for two to three quarters, with core inflation rising throughout.[2] Early data is consistent with this path. United States headline consumer price inflation was 2.4 percent over the twelve months ending January 2026 before the shock. It rose to 3.3 percent over the twelve months ending March 2026, and to 3.8 percent over the twelve months ending April 2026.[1] This assessment is therefore made inside the propagation of the defining shock, not after it has resolved.

The macroeconomic lens throughout the review is that forces intended to stabilize the prevailing order have come to operate as instruments of its instability. This situates the regional analysis within a fragmenting multipolar system in which the United States increasingly acts to restructure regional arrangements rather than guarantee their underlying security, and in which middle and major powers are pressed to hedge across competing poles. Chapter 4 returns to this lens where it bears on the scenario reassessment. It is introduced here because the central finding of the review, developed in Chapters 2 and 3, is a specific instance of this variable inversion effect.

CHAPTER 2

Confirmed Structural Calls

Three of the study's structural calls have tracked over the review period. None is presented as a vindicated forecast. Each is assessed as a switching signal, with the destination the study identified distinguished from the mechanism by which it arrived, because in some cases the mechanism differed materially from the study's pathway.

2.1 Iranian Strategic Retrenchment

The study projected Iranian strategic retrenchment and stated explicitly that this outcome was not contingent on whether the Supreme Leader changed. The structural outcome held under the strongest possible test of the study's own conditional when the Supreme Leader was eliminated in the opening strike on 28 February 2026.[5] Iran entered a regime-survival posture, with a fragmented forward influence toward regional proxies. The same inward turn has made the Iranian regime more dangerous in the immediate term, not less. A state fighting for survival under a fractured chain of command responds kinetically and unpredictably rather than through gradual attritional containment the study modeled. Retrenchment in capacity and reach has therefore coincided with elevated regional threat. Both are consistent with the structural direction the study identified even though the mechanism operated more aggressively through a war the study placed under the Cascading Wars alternative scenario. Casualty and succession specifics remain contested and are not load-bearing for this assessment.

2.2 Palestinian Political Marginalization

The study's most contested 2025 call was that the Palestinian question would be reframed away from sovereignty and toward administered rights, with both Hamas and the Palestinian Authority marginalized from central governance. That trajectory is now unfolding through a mechanism more direct than the study described. Gaza's post-war governance has been organized under a Board of Peace led by President Trump and a National Committee for the Administration of Gaza, structures from which the Palestinian Authority and Hamas were both explicitly excluded. United Nations Security Council Resolution 2803, adopted 17 November 2025 by thirteen votes with two abstentions, provided an international legal scaffolding for a transitional structure and authorized stabilization presence.[4] The substantive direction the study identified is holding where Palestinian political authority is being administered rather than restored inside a structure built by regional and international actors. What the study did not anticipate was that the marginalization would be this direct, this fast, and this openly institutionalized.

2.3 Lebanese Demilitarization

The study projected the disarmament of Hezbollah and the establishment of the Lebanese state as the sole authorized bearer of arms, with southern Lebanon remaining within effective Israeli military reach. This is the closest study-to-event track and the most exposed to overstatement, so the distinction between destination and completion is held with caution. Direct state-to-state talks between Israel and Lebanon opened in Washington in 2026, the first such channel since the failed 1983 agreement.[6] The Lebanese state is committed in principle to a monopoly on arms; terms Hezbollah has rejected and remains outside the process. What exists is a negotiating framework, not a completed outcome. Hezbollah's disarmament is contested and incomplete, the ceasefire has been violated repeatedly, and the Lebanese Armed Forces' capacity to enforce demilitarization is unproven. The direction the study identified is holding; the end state it described has not been reached.

CHAPTER 3

Assumptions Under Stress

3.1 The Security Floor: Deterrence Intact, Effect Inverted

The primary scenario's security logic runs through a single load-bearing structure with a United States security umbrella under which Israeli deterrence holds escalation down long enough for trade and infrastructure to bind the region together. Twelve months of evidence show that structure is working in reverse. The deterrent power itself is intact, Israeli military dominance remains uncontested, and the United States remains the architecture within which every regional actor operates. But the same configuration that was expected to suppress escalation has become the principal channel through which escalation now emerges. Deterrence is no longer producing restraint; it is producing reaction.

On 9 September 2025, Israel conducted the first known military strike on a territory of a Gulf Cooperation Council state, targeting a Hamas political delegation in Doha convened to consider a United States ceasefire proposal. The strike, named Operation Summit of Fire by the IDF, killed a member of Qatar's Internal Security Force and was assessed to have failed to eliminate Hamas negotiators it targeted.[7] The United Nations Security Council condemned it in a statement agreed by all fifteen members.[8] The decisive fact is that the strike landed inside a GCC state hosting the forward headquarters of United States Central Command at Al Udeid, and Washington neither prevented nor restrained it. Qatar materially recalibrated its posture, narrowing exposure on Gaza, drawing down the political latitude extended to external leadership of Hamas, and turning toward its own regional security in the wake of Israel's June 2025 direct strikes on Iran. In that narrow sense, the deterrent power worked, but only through intimidation of a partner state hosting the United States forward command, not through the restraint of an adversary.

As the Iran war began on 28 February 2026, Iran retaliated not only against Israel but against Gulf states; Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Kuwait, and Oman were all struck by missiles or drones despite none having attacked Iran from their territory. The logic was coercive rather than retaliatory in any direct sense. Tehran had limited means of imposing proportionate costs on Washington or Tel Aviv, but it could impose them on the states whose ports, refineries, gas, and forward bases made the American posture in the region functional. By placing those assets under fire, Iran extracted leverage over the parties it could not strike directly. The war therefore reached the Gulf not as an accident of geography but as a chosen instrument of pressure. The security architecture built to safeguard global trade became the instrument of its disruption with leverage over territory, energy infrastructure, and ports.

Gulf states did not retaliate or respond by seeking a replacement security guarantor to the United States. No GCC state entered the war despite sustained strikes on civilian and energy infrastructure. The posture is calculated restraint combined with a demand for conditionality on the existing relationship with Washington; advance consultation before actions that trigger retaliation on Gulf territory, shared defensive obligations, and clearer distribution of escalation costs. The Arab Center for Research and Policy Studies' Arab Opinion Index 2024-25, released in January 2026, recorded that 77 percent of respondents agreed that United States policies threaten the region's security and stability.[9] Saudi Arabia, Qatar, Kuwait, and the United Arab Emirates each signaled they would refuse the use of their airspace for the initial strike on Iran. The evidence indicates not a collapse of the United States relationship but the erosion of its capacity to underwrite security outcomes without imposing costs on regional partners.

The shift in the United States regional role is stated in the 2026 National Security Strategy and the subsequent National Defense Strategy which redefine the posture from militarized management and security integration toward partnership, investment, and burden-shifting. The National Defense Strategy assigns regional partners primary responsibility for deterring Iran, backs Israel as the empowered regional security anchor for the United States, and reduces direct military exposure where possible. The National Security Strategy retains as core objectives only the prevention of adversary control over Gulf hydrocarbons and chokepoints, and freedom of navigation through the Strait of Hormuz and the Red Sea.[10]

China enters this picture as an economic hegemon rather than a security substitute. Gulf-China bilateral trade reached approximately $288 billion in 2024, making China the largest single trading partner of Gulf states, compared with approximately $77 billion for the United States and roughly $173 billion for the European Union as a bloc.[11] The renminbi is now used in a meaningful share of Gulf-Asia energy settlement, and Chinese firms are embedded across Gulf infrastructure, from port concessions and 5G networks to refining, petrochemicals, and the data centers underpinning the region's artificial-intelligence build-out. Gulf sovereign wealth is moving in the same direction, with capital flowing toward Chinese technology, electric-vehicle, and clean-energy platforms. The hedge is real and structural but does not reach the security relationship. United States defense platforms carry digital, sustainment, and intelligence lock-ins that Chinese systems are not currently positioned to replace, and Beijing's own security agenda remains focused on trade routes and resource access.

The same inversion is now driving a layered regional response. Across the review period, regional states have begun constructing a modular set of security arrangements, recognising that neither the United States umbrella alone nor any single bilateral relationship guarantees stability in the post-Hormuz environment. The most concrete of these is the Red Sea track. Egypt and Saudi Arabia agreed in September 2025 to form a joint naval force to secure the Red Sea outside US-led structures, an arrangement made operationally visible two months later when Saudi Arabia hosted the Red Wave 8 multinational exercise in November 2025, bringing together the navies of Egypt, Saudi Arabia, Jordan, Sudan, Yemen, and Djibouti at King Faisal Naval Base on the Western Fleet, with Pakistan and Mauritania attending as observers.[12] This is the first time the Red Sea littoral has been organised as a coherent operational framework, and the framing has been explicit with Arab-led security, designed to deter non-state threats and reduce dependence on Western maritime coalitions. Saudi Arabia and Egypt have aligned in parallel on a joint position emphasising the territorial integrity of Sudan, Somaliland, and Yemen, a diplomatic frame widely read as a counter to Emirati basing across Somaliland, Eritrea, and Yemen.

However, Egypt's posture inside this realignment is not exclusive. On 7 May 2026, in an unannounced visit to Abu Dhabi, President Sisi conducted a joint review with President Mohammed bin Zayed of Egyptian Dassault Rafale F3R fighters forward-deployed in the United Arab Emirates that had reportedly contributed to Emirati air defence during the Iran war. This was the first time Egyptian combat aircraft have been stationed on UAE territory.[13] The "Hope? at Last" study had projected Egyptian-UAE military and logistical integration as a structural feature of the regional order, including joint Egypt-UAE-Israel management of Gaza and the channelling of restructured Egyptian military-commercial capacity into Gulf-led security arrangements.

The economic dimension of the relationship moves in parallel. Abu Dhabi's $35 billion investment in Ras El-Hekma is the largest single foreign direct investment in Egypt's history, anchoring a wider UAE position that extends across logistics, real estate, and financial services. UAE construction-sector investment in Egypt stands at approximately $37.5 billion, while Saudi investments span industrial, agricultural, and financial assets across the country.[14] The Saudi Public Investment Fund is reportedly preparing additional commitments under the Egyptian Saudi Higher Coordination Council established in October 2024. This signals that Cairo continues to operate inside both Gulf orders simultaneously, with heavier reliance on UAE financial lifelines along Saudi Arabia's broader institutional and corporate presence.

The Red Sea convergence is part of a broader pattern. The Saudi–Pakistan Strategic Mutual Defence Agreement (SMDA) was signed on 17 September 2025, following the Doha emergency summit convened in response to Israel's strike on Qatar. Its operative language treats aggression against either state as aggression against both.[15] Pakistan's nuclear posture remains India-centric, its military is committed against the Pakistani Taliban, and Iran's selective forbearance toward Pakistani shipping through the Strait of Hormuz gives Islamabad reasons for caution, particularly while it sits as a mediator in the US-Iran negotiations. What Saudi Arabia gains is the deterrent shadow of a nuclear power and a hedge against the contingency of being drawn into a regional conflict, not a formal guarantee.

The SMDA does not stand alone. A trilateral defence framework between Saudi Arabia, Pakistan, and Turkey is under active negotiation; Pakistan's Minister for Defence Production confirmed on 15 January 2026 that the agreement is in the pipeline. The Riyadh foreign ministers' meeting of 18 March 2026 brought together Turkey, Saudi Arabia, Pakistan, Egypt, and other regional delegations under a shared framing of regional self-coordination, captured directly in the Turkish Foreign Minister's observation that the region must learn to solve its own problems or face external solutions imposed on it. A Saudi–Egypt–Somalia coalition focused on Red Sea security is being finalised in parallel, and Egypt's proposal at the September 2025 Doha Summit for a joint Arab military force, declined at the time by Qatar and the UAE, remains active in regional diplomacy.

None of these arrangements is yet a fixed architecture, and some may not consolidate. Taken together, they reflect the same logic the "Hope? at Last" study identified in its corridor analysis that security agreements would co-evolve with trade and infrastructure as the region adapts to modular and regionally reroutable arrangements rather than remain anchored in a single guarantor. The post-Hormuz security order is being built not as a replacement for the United States but as a denser, layered, regionally native set of partnerships beneath it.

3.2 The Saudi–Emirati Political Divergence and Structural Interdependence

Saudi Arabia and the United Arab Emirates entered the review period bound by a shared structural interest in managing regional corridors and absorbing external shocks. The "Hope? at Last" study treated them as a cooperative dual hegemony with divergent playbooks but a binding incentive to coordinate and identified an Arab leadership fracture among the shocks capable of testing the primary scenario. Twelve months on, the underlying interest still holds, but the political coordination has eroded. The divergence between Riyadh and Abu Dhabi is now the sharpest fracture in the Arab order, and it is unfolding inside the very structural interdependence that was expected to hold them together.

The United Arab Emirates exited OPEC and OPEC+ effective 1 May 2026, announced without Saudi consultation, with the Emirati energy minister stating on the record that the matter was not raised with other member states.[16] In April 2026, Abu Dhabi declined to roll over $3.45 billion in cumulative deposits and loans extended to Pakistan in tranches dating to 2018, requiring full repayment. The Emirati move followed Islamabad's signing of the Strategic Mutual Defence Agreement with Riyadh in September 2025 and Islamabad's positioning as a mediator in the US-Iran negotiations. This signaled Abu Dhabi's dissatisfaction with Pakistan's insufficient response to Iranian strikes on UAE territory while tilting toward Saudi Arabia. The State Bank of Pakistan confirmed the funds were returned on 23 April.[17] Saudi Arabia and Qatar moved in parallel to pledge approximately $5 billion in combined financial support to Islamabad, filling the vacuum Abu Dhabi had created.

The divergence extends across multiple theatres. On 30 December 2025, a Saudi-led coalition strike hit a UAE-linked weapons shipment at the port of Mukalla. The Emirati-backed Southern Transitional Council's (STC) position in southern Yemen collapsed rapidly thereafter, with Saudi-backed forces retaking Hadramout and Al-Mahra and the STC dissolving on 9 January 2026. In Sudan, Saudi Arabia backs the Sudanese Armed Forces (SAF) while the United Arab Emirates backs the Rapid Support Forces (RSF), sanctioned by the United States Treasury in February 2026.[18] What the record shows is not two states drifting apart along separate playbooks but two states inside an active contest over which one dominates the post-Hormuz regional order. The terms of the contest are now visible. Abu Dhabi has set its Israeli security partnership, its political standing in Washington, and its financial reach to challenge Riyadh, while Saudi Arabia has moved to anchor the post-Hormuz order through a parallel architecture of regional alliances, energy diplomacy, and maritime security coordination. This is the Arab leadership fracture the study identified as a primary-scenario risk, now active as open competition rather than passive divergence.

The political contest is occurring against an infrastructural interdependence that the same shock has deepened. The Strait of Hormuz crisis has exposed an asymmetry inside the Gulf that binds Saudi Arabia and the United Arab Emirates to a shared outcome. Of the six GCC states, only Riyadh and Abu Dhabi possess operational crude-export capacity that can be rerouted to bypasses the Strait. Saudi Arabia's East-West Petroline carries up to 7 million barrels per day from the eastern fields to Yanbu on the Red Sea. The UAE's ADCOP pipeline carries up to 1.8 million barrels per day from Habshan to Fujairah on the Gulf of Oman, with a second Fujairah line under construction that will roughly double that bypass capacity and support the UAE's target of 5 million barrels per day of crude production capacity by 2027.[19] Both pipelines have run closer to their full capacity through the review period than at any previous time. Qatar, Kuwait, and

Bahrain, by contrast, retain no comparable bypass and remain entirely dependent on the Strait for the bulk of their hydrocarbon exports and trade. Iraq, whose southern exports also run through the Strait, was forced to reactivate the long-dormant northern pipeline to Ceyhan in March 2026 and to begin construction on a new Basra-to-Haditha trunk line, yet its available bypass capacity remains far below the southern volumes the Strait closure removed. Iraqi crude exports fell by more than 97 percent from a pre-war rate of roughly 3.3 million barrels per day to under 100,000 barrels per day by May 2026, and oil revenue fell from over seven billion dollars to roughly two billion in March 2026. Iraq stands as the sharpest illustration in the region of what the absence of bypass redundancy costs an oil export state.

The same asymmetry has driven a wave of joint logistical infrastructure that did not exist twelve months ago. On 22 March 2026, the Saudi Ports Authority and the UAE-based Gulftainer launched the Sharjah-Dammam Trade Corridor, a multimodal sea-land route that moves cargo through Khorfakkan Commercial Terminal on the UAE's Gulf of Oman coast to Sajaa Dry Port in Sharjah and then overland to King Abdulaziz Port in Dammam, bypassing Hormuz entirely. The Hafeet Rail project, a $2.5 billion Etihad Rail-Oman Rail joint venture connecting Al Ain in UAE to Sohar Port in Oman, reached 40 percent completion in April 2026 and creates a second overland bypass at the eastern end of the Arabian Peninsula. The Saudi-Oman Empty Quarter Highway and the Sharjah-Oman Green Corridor through Khatmat Malaha have moved commercial traffic in both directions outside the Strait throughout the review period. Beneath all of this sits the GCC Electricity Interconnection Grid, the only existing cross-border infrastructure that already links all six member states, operational since 2009 and fully integrated since 2014, which has provided emergency power transfers across the network during the review period exactly as it was designed to do.[20]

Fiscal structures push in the same direction. IMF data place Saudi Arabia's fiscal breakeven oil price at approximately $91 per barrel in 2025, well above the UAE's, and non-oil activity stands at roughly 77 percent of UAE real output against roughly 56 percent for Saudi Arabia.[21] The divergences are real, but the cost of a regional order that fails is higher for both states than for any other actor in the region. The political fracture is real, but the bypass infrastructure built and expanded jointly remains under Iranian fire, and the shared risk it imposes holds the integrated regional order at the structural level.

The same condition has implications for the smaller GCC states. A visible Saudi-Emirati contest in which neither side can afford to rupture the underlying infrastructure changes the strategic environment for Kuwait, Bahrain, Qatar, and especially Oman. Each gains room to act on its own national interest inside a bipolar regional order, calibrating across both poles rather than aligning with one. The contest does not require them to take sides, and the structural interdependence makes side-taking costly. What it produces is a more multipolar Gulf with several actors hedging actively, even as the formal architecture of the GCC remains intact. Whether the Gulf Cooperation Council itself can institutionally absorb this multipolarity without further erosion is now a live question.

3.3 Qatar: Fiscal Pressure and Single Commodity Exposure

Qatar entered the review period as the Gulf's pre-eminent mediator. Through 2025, Doha brokered the January Gaza ceasefire alongside Cairo and Washington, hosted the political office through which the United States ran its channel to Hamas, mediated the June ceasefire following the first direct Israel-Iran escalation, and remained the diplomatic node connecting the United States to actors no other Gulf state could reach. The "Hope? at Last" study projected the retrenchment of Qatari regional influence into a narrower niche, with Doha's broader regional leverage declining. The review period confirms the projected retrenchment and reveals its severity. The Israeli strike on Doha in September 2025 functions here as a switching condition. The mediation function continued through the period and into 2026, but Qatar's broader regional posture turned inward toward managing an unprecedented structural exposure, amplified by the closure of the Strait of Hormuz.

Iranian strikes on Ras Laffan in March 2026, the production hub for Qatar's LNG industry which accounts for roughly twenty percent of global LNG supply, cut an estimated 17 percent of Qatar's LNG export capacity. [42] QatarEnergy, the national producer, declared force majeure on the entirety of its LNG output. Two LNG trains and one gas-to-liquids facility were damaged, sidelining 12.8 million tonnes per annum of capacity with repairs estimated at three to five years and approximately $20 billion in lost annual revenue, per QatarEnergy CEO Saad al-Kaabi.[22] Qatar's economy concentrates LNG, power generation, desalination, and heavy industry within a single coastal radius, and the Strait closure alongside Iranian strikes exposed that concentration as a single point of failure. The Iranian strike on Ras Laffan was retaliatory, following an Israeli strike on the shared South Pars field, and Qatar condemned it. North Dome and South Pars structures are built on a single reservoir shared between Qatar and Iran under no joint management framework, creating a mutual-hostage vulnerability that imposes strategic constraint rather than enabling sustainable partnership.

Qatar's diplomatic latitude narrowed sharply over the same period as fiscal pressures mounted. The diplomatic position Qatar held rested on three pillars: the forward headquarters of United States Central Command at Al Udeid, the hosting of Hamas external political office, and a record of mediation on the January 2025 Gaza ceasefire and the June 2025 Israel-Iran de-escalation. All three pillars came under pressure during the review period. Al Udeid was struck on 3 March 2026, when an Iranian ballistic missile penetrated Qatari air defences. Hamas political office, hosted in Doha since 2012 at Washington's request, was shut down in March 2026. Qatar expelled the group's political leaders after they refused to condemn Iranian strikes on Qatari territory.[23] The mediation function itself continued through the war and into 2026, but on terms increasingly set by Washington's interests rather than Qatar's own initiative, with the agency that had defined Doha's regional role substantially reduced.

The position Qatar now occupies has a longer pattern behind it. In 1995, Hamad bin Khalifa Al Thani deposed his father in a bloodless palace coup. The deposed Emir fled to Saudi Arabia. A coalition of Saudi Arabia, the UAE, Bahrain, and Egypt was reported to have backed a counter-coup attempt in 1996. Hamad consolidated his rule by leaning toward the United States, signing a defence pact in 1992 and deepening it after 1995, opening to Iran on the shared North Dome field, and going further than any other Gulf state at the time in normalising relations with Israel, in the very early years of Oslo Accords. The structural lever was the same in 1995 as it is now where a smaller Gulf state using bilateral access to Washington and Tel Aviv to insulate itself from Saudi regional primacy. Three decades on, the Emirati contest with Riyadh draws on the same lever at much larger scale, with the financial reach and operational depth of an actor several times Qatar's size. What the review period has revealed is that pulling these levers is not costless.

CHAPTER 4

Reassessment of the Four Scenarios

The system has not resolved into any single scenario. It sits as a stressed hybrid, with the integrated-order axis held by the forced infrastructural convergence between Saudi Arabia and the United Arab Emirates set out in Chapter 3.2. The security axis remains stressed and inverted as described in Chapter 3.1. Corridors are adapting and rerouting under fire rather than failing. Deterrence is intact but destabilizing in effect, and the United States' umbrella has been redefined from guarantor to architect.

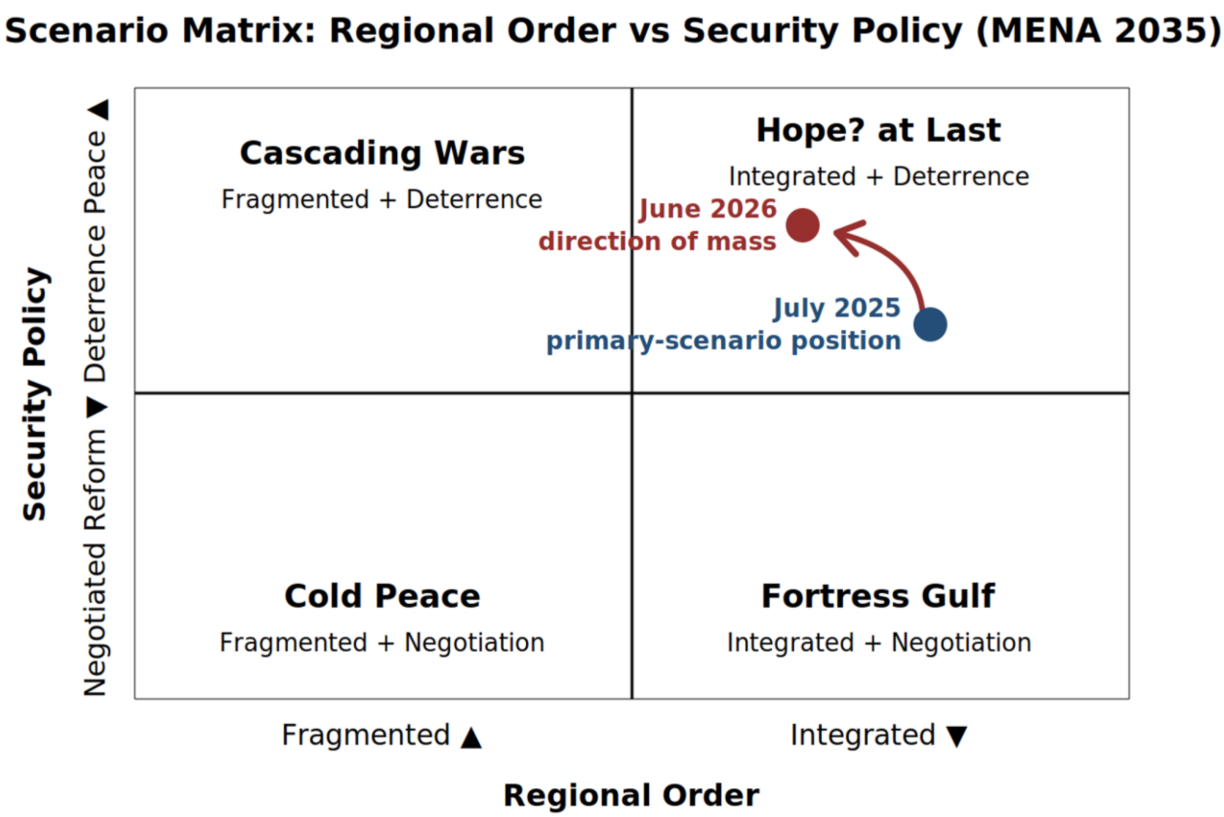

Figure 2. *Reassessment of scenario position: original July 2025 placement and May 2026 direction of probability mass. The system does not resolve into a single quadrant; mass moves toward the Cascading Wars boundary on the security axis while held against full decay on the integrated-order axis by the structural convergence. A diagnostic of position under stress, not a prediction of resolution.*

Read against the study's four scenarios, the matrix gives a single coherent reading. Hope? at Last is no longer the system's resting position. The probability mass has moved off the primary scenario toward the Cascading Wars boundary on the security axis while remaining held on the integrated-order axis. This movement is structural rather than transitory driven by regional coordination that has begun to emerge beneath the US umbrella. It defines the conditions under which the primary scenario remains reachable with a redefined corridor logic as outlined in Chapter 5; and the early signals against which any further movement should be evaluated as set out in Chapter 7. Fortress Gulf is structurally the closest scenario to the current regional state, holding the same integrated order but under a security configuration whose stabilizing function has reversed. Cascading Wars is present in elements such as the multi-front escalation, the Saudi-UAE divergence, and spillover to regional actors, but without the full trigger chain that the primary scenario mapped out. The escalation has been absorbed without a Gulf Cooperation Council belligerent and the integrated-order axis has not collapsed. Cold Peace in Spheres is the most distant of the four, requiring both axis fragmentation and a negotiated reform path that the review period has not produced.

Of all structural variables the "Hope? at Last" study modelled, water-stress carried the heaviest weight. The Middle East and North Africa hold roughly two percent of the world's renewable freshwater while operating approximately 42 percent of global operational desalination capacity, with Saudi Arabia alone accounting for approximately 13 percent of the global total at close to 9 million cubic metres per day. Twelve countries in the region rank among the most water-limited globally, and Gulf states rely on desalination for between 42 and 90 percent of municipal water supply.[24] The study treated this dependence as the variable most likely to discipline cooperation between regional actors over time, since no Gulf or eastern Mediterranean state can sustain its population without continuous desalination output.

Over the review period this water-stress variable activated destructively. Iranian strikes on Gulf desalination plants and Houthi targeting of Red Sea water infrastructure exposed the system's most acute single dependency to direct kinetic disruption. The Israel-Jordan supplementary water purchase agreement lapsed in late 2025 with supplies reverting to the 1994 peace treaty baseline of 50 million cubic metres per year, and Project Prosperity, the UAE-backed water-for-energy deal suspended by Jordan in November 2023, has not been revived.[25] Jordan has pivoted toward independent desalination capacity to protect national security rather than deeper regional integration. Gulf states have continued expanding desalination capacity unilaterally instead of shared infrastructure, treating water as a sovereign resource. The same variable, reactivated in the constructive direction through shared desalination capacity, cross-border water security agreements, and joint freshwater investment, is the subject of Chapter 6, where it is identified as a possible lever for moving the system back toward the primary scenario.

Table 1. Status of the study's switching conditions, May 2026

Original switching condition	Status	Evidence anchor
Routinized Israeli deterrence avoids multi-front escalation	**Inverted**	Doha strike (9 September 2025); Iran-war regional spillover to all six GCC states (28 February 2026)
Palestinian political marginalization within an imposed structure	**Active**	UN Security Council Resolution 2803 (17 November 2025); Board of Peace; National Committee for the Administration of Gaza (Chapter 2.2)
Lebanon and Hezbollah recalibration	**Active**	Washington direct-talks track; Hezbollah weakened; disarmament contested and incomplete (Chapter 2.3)
Iran strategic retrenchment, not contingent on Supreme Leader change	**Active; kinetic**	Iran shifted to regime-survival posture; succession by assassination; weakened but dangerous (Chapter 2)
Sunk-cost interdependence raises cost of disruption	**Active**	Joint Gulf bypass infrastructure built and expanded under fire; GCC Electricity Interconnection providing emergency transfers during the war (Chapter 3.2)
Bankable corridors whose risk premia keep falling	**Broken as specified**	Hormuz war-risk premia rose roughly twenty-fold; redefined as reroutable corridors (Chapter 5)
Water-stress differential as constraint on cooperation	**Active; destructively**	Iranian targeting of Gulf desalination; Israel–Jordan Project Prosperity lapsed late 2025 (Chapter 4)
Cohesion of the Saudi–Emirati axis	**Fractured; structural integration**	UAE-OPEC exit; Yemen and Sudan divergence; infrastructural interdependence as counter-force (Chapter 3)

"Active" indicates the switching condition is firing in the direction the study specified. "Inverted" indicates the assumption held but its effect reversed. "Broken as specified" indicates the original signal failed but a reframed version is emerging.

CHAPTER 5

Conditions for Persistence of the Primary Scenario

This chapter sets out the conditions under which the primary scenario remains reachable with existing stress signals set in Chapters 3 and 4. It is the analytical contribution of this review. Given the security-floor inversion of Chapter 3.1 and the political fracture of Chapter 3.2, the question this chapter addresses is what would have to hold for the primary scenario to persist rather than decay toward Cascading Wars or Cold Peace in Spheres.

The "Hope? at Last" study projected that under a trade integration scenario, bankable corridors and security coordination produce a downtrend in risk premia. This is a logic of sunk-cost interdependence in which connectivity hardens into long-term arrangements because the cost of disruption rises for all parties. During the review period, war-risk premia for Strait of Hormuz transit rose sharply, an early signal that shifts probability mass off the primary scenario. The "bankable corridor" mechanism can persist only if redefined as reroutable corridors that survive premia spikes, because Gulf states are forced onto shared bypass infrastructure by common risk exposure. This is the structural-convergence dynamic identified in Chapter 3, restated here as the primary scenario's persistence path. The convergence is compelled rather than chosen, which is what makes it durable under existing stress conditions. It becomes the connective layer beneath political divergences that surface.

An earlier generation of bypass infrastructure offers a cautionary precedent. The Trans-Arabian Pipeline, completed in 1950, carried roughly 500,000 barrels per day of Saudi crude across Jordan and Syria to the Lebanese coast at Sidon, and was the largest oil pipeline in the world at its inauguration. Its dependence on a single overland route through multiple transit states proved decisive in its decline, as repeated closures tied to the Arab-Israeli conflict and the Lebanese civil war combined with the falling cost of larger supertankers to erode both its security and its economic viability until pumping ceased in the 1980s. Saudi Arabia commissioned the East-West Petroline in 1981 partly to reduce reliance on that vulnerable northern line, and it is the pipeline that now carries the bulk of the Kingdom's rerouted crude around the Strait of Hormuz.[37] This historical precedent underscores the distinction this chapter draws. A single transit-dependent bypass is fragile, whereas redundancy across reroutable corridors is what endures under stress.

The same logic applies to the corridor the primary scenario was built around. The India-Middle East-Europe Economic Corridor (IMEC) was launched at the 2023 G20 by a narrow coalition of eight signatories namely the United States, India, Saudi Arabia, the United Arab Emirates, France, Germany, Italy, and the European Union. The corridor was designed to connect India to Europe through the Arabian Peninsula's land bridge anchoring on a single port, Jebel Ali in the UAE, now inside the chokepoint of Hormuz. The war exposed that design as dependent on a single chokepoint and a single political alignment holding at once, the same single-route fragility this chapter draws from the Trans-Arabian Pipeline precedent. What the review period points to is that the corridor logic surviving under stress is not that original coalition but the wider and more regionally held set of reroutable routes forming around it, one that distributes risk across more parties and more crossings rather than concentrating it in a single throughline. Whether that recalibrated architecture consolidates is the open question this chapter returns to, but the direction of adaptation is away from the single corridor and toward the broader bypass network.

The current conflict with Iran has demonstrated that reroutable corridors function under fire. ADNOC chief Sultan Al Jaber confirmed on 20 May 2026 that the UAE's new West-East Pipeline to Fujairah is 50 percent complete and has been accelerated for 2027 delivery, doubling Emirati export capacity that bypasses the Strait. His statement came as over one billion barrels of oil have been lost during the closure, with full restoration of Hormuz flows not expected before the first or second quarter of 2027.[26] Saudi Aramco's East-West Petroline has run at its full 7 million barrels per day through the war period, maintaining roughly 60 percent of Saudi pre-war export volumes despite the Strait sitting effectively closed.

Dubai Customs' green corridor with Oman, made operational within seventy-two hours of the disruption, saw customs declarations rise from approximately 12,000 in March 2026 to nearly 100,000 in April, with declared cargo value rising from roughly one billion to over eight billion dirhams over the same period. A companion Sharjah-Oman corridor was launched on 14 May 2026.[27] The bypass capacity is supplementary rather than a standalone replacement for the Strait, given most infrastructure is still under construction or partially operational. Oman's ports were themselves struck during the period, and rerouted volumes remain a fraction of normal Strait throughput. The argument is reroutability under stress, not a friction-free substitute.

The same period has compelled both Gulf hegemons to recalibrate their longer diversification trajectories. Saudi Arabia's Public Investment Fund released a 2026-2030 strategy in April 2026 that cut capital expenditure by approximately 15 percent. The strategy suspended construction on The Line in September 2025, with the project reduced from a 1.5 million-resident, 170-kilometer city to a 300,000-resident, 2.4-kilometer prototype by 2030. An artificial intelligence subsidiary, HUMAIN, was elevated to the centre of the portfolio while budgets tied to Expo 2030 and the 2034 FIFA World Cup were preserved. Aramco's dividend was cut by approximately 40 billion dollars for 2025, and the kingdom's 2026 fiscal deficit is projected near 44 billion dollars.[28]

The UAE has run an opposite playbook, more tailored to the logistics empire built under DP World, which moves approximately ten percent of global container traffic through 82 active terminals. ADNOC's board approved a 150-billion-dollar capital expenditure plan for 2026-2030 in November 2025, deployed across upstream capacity, expanded natural gas output, downstream chemicals, and low-carbon energy, with an explicit ambition to lift Emirati production capacity to 5 million barrels per day by 2027.[29] This is part of the UAE's broader strategy to fast-track production as the closing phase of its hydrocarbon era, achieving diversification and meeting the Net Zero 2050 commitments that define its post-2030 horizon.

The international investment arm XRG, established in November 2024 with an 80 billion dollar asset base, reached an enterprise value of 151 billion dollars within a year. The growth was anchored by a near 14-billion-dollar takeover of the German chemicals firm Covestro, LNG offtake contracts in the United States and Africa, gas fields around the Mediterranean, and a 50 billion dollar framework signed with Canada on 20 November 2025 covering AI, energy, and mining.[30] The second Fujairah pipeline has been accelerated, and Abu Dhabi has pursued an aggressive bilateral and multilateral posture even as it absorbed more than 3,000 Iranian missiles and drones aimed at civilian and energy infrastructure during the war. Saudi and Emirati diversification trajectories are different in tempo and exposure, but both states are now running them under conditions the original Vision 2030 and diversification plans did not fully anticipate. Vision is now meeting fire.

Qatar is the cautionary case the review period delivered. Non-hydrocarbon real growth reached 5.3 percent in the first quarter of 2025, with a share of GDP at 63.6 percent. The Qatar Investment Authority, with assets estimated around 530 billion dollars, accelerated its technology deployment. It participated in a 15 billion dollar Databricks fundraising and a 6-billion-dollar xAI round in 2024, announced a 500 billion dollar US investment plan during President Trump's May 2025 visit, and established a national AI subsidiary, Qai, that launched a 20-billion-dollar joint venture with Brookfield Asset Management on AI infrastructure in December 2025. However, the North Field expansion, designed to lift LNG production capacity from 77 to 142 million tonnes per annum by 2030, remained the centrepiece of Qatar's long-horizon diversification plan and is now disrupted at its choke point by the Ras Laffan strikes and the closure of the Strait. [31]

Hydrocarbons account for approximately 83 percent of total Qatari government revenues, exerting fiscal management pressures. Qatar's fiscal position narrowed from QAR 5.6 billion surplus in 2024 to a cumulative deficit of QAR 8 billion in 2025, with each quarterly shortfall financed through debt issuance.[32] The Qatari case demonstrates the cost of running a single-commodity export economy through infrastructure concentrated on a single coastline within Iranian reach, regardless of how aggressively diversification is pursued in non-tradable sectors or foreign investments. Diversification at the sectoral level does not substitute for diversification at the corridor integration level. This is the structural lesson the broader region is now absorbing and the one this review emphasizes.

Qatar has met this exposure through mediation and negotiation of selective cargo passage under Iranian forbearance, neither of which is a structural alternative to the Strait. The constraint Qatar faces is real rather than chosen, as liquefied natural gas has no overland bypass and must leave through fixed coastal terminals within reach of the chokepoint, the sharpest form of resource concentration this review describes. Durable resilience for Qatar would therefore have to come from cross-border corridor integration with regional partners rather than from negotiated transit dependent on Iran's restraint, the one path the country has been able to defer for as long as seaborne export remained reliable.

5.1 Oman: A Unicorn in the Contested Post-Hormuz Order

The condition under which the primary scenario remains reachable is that reroutable corridors continue to expand under stress and remain jointly built with shared risk. Oman is the state whose geographic position, infrastructure base, diplomatic posture, and policy trajectory align most directly with that condition. The post-Hormuz environment has accelerated Oman's infrastructure and diplomatic capacity under Vision 2040, converting a national strategy into a regionally consequential opportunity.

Vision 2040, set out under Sultan Haitham bin Tarik in 2020, prioritises economic diversification anchored on logistics, manufacturing, tourism, renewable energy, and human capital, with the explicit objective of reducing hydrocarbon dependence and converting Oman's geographic position outside the Strait of Hormuz into a strategic asset. The diversification trajectory is now measurable. Non-hydrocarbon activities reached 72.1 percent of total GDP in 2025 at 28.7 billion rials, growing 3.1 percent year on year, while petroleum activities grew at the slower rate of 1.1 percent. Real GDP growth accelerated to approximately 2.3 percent in 2025 per NCSI data from 1.7 percent in 2024, with non-hydrocarbon sectors and the gradual unwinding of OPEC+ voluntary cuts driving the acceleration. Manufacturing expanded 2.5 percent in 2025, with refined petroleum output rising 13.5 percent, while agriculture and fisheries grew 10.2 percent. The services sector, which includes logistics and transport, accounted for 47.8 percent of total GDP. Public debt fell from a peak of 68 percent of GDP in 2020 to 35.5 percent in 2024 on the back of successive fiscal surpluses since 2022, and remained stable at 36.0 percent in 2025.[33]

Oman became the first GCC state to introduce a personal income tax in June 2025, a 5 percent rate on incomes above 42,000 rials annually, effective January 2028, signalling fiscal seriousness about the diversification path. The Duqm refinery, a 9 billion dollar OQ-Kuwait Petroleum International joint venture, raised processing capacity to 255,000 barrels per day in 2025 at 110 percent of its designed operational level, exporting 284 international shipments over the year. Combined with the Sohar and Mina Al Fahal refineries, they increase total Omani refining capacity to 569,000 barrels per day.[34] Hydrom, the dedicated green hydrogen entity, oversees a sector positioning Oman for the next generation of energy exports. Hydrocarbons still account for roughly 68 percent of total government revenue in the 2025 budget, but Oman is advancing along the Vision 2040 diversification trajectory with measurable progress across non-hydrocarbon GDP share, fiscal discipline, debt reduction, and industrial output.

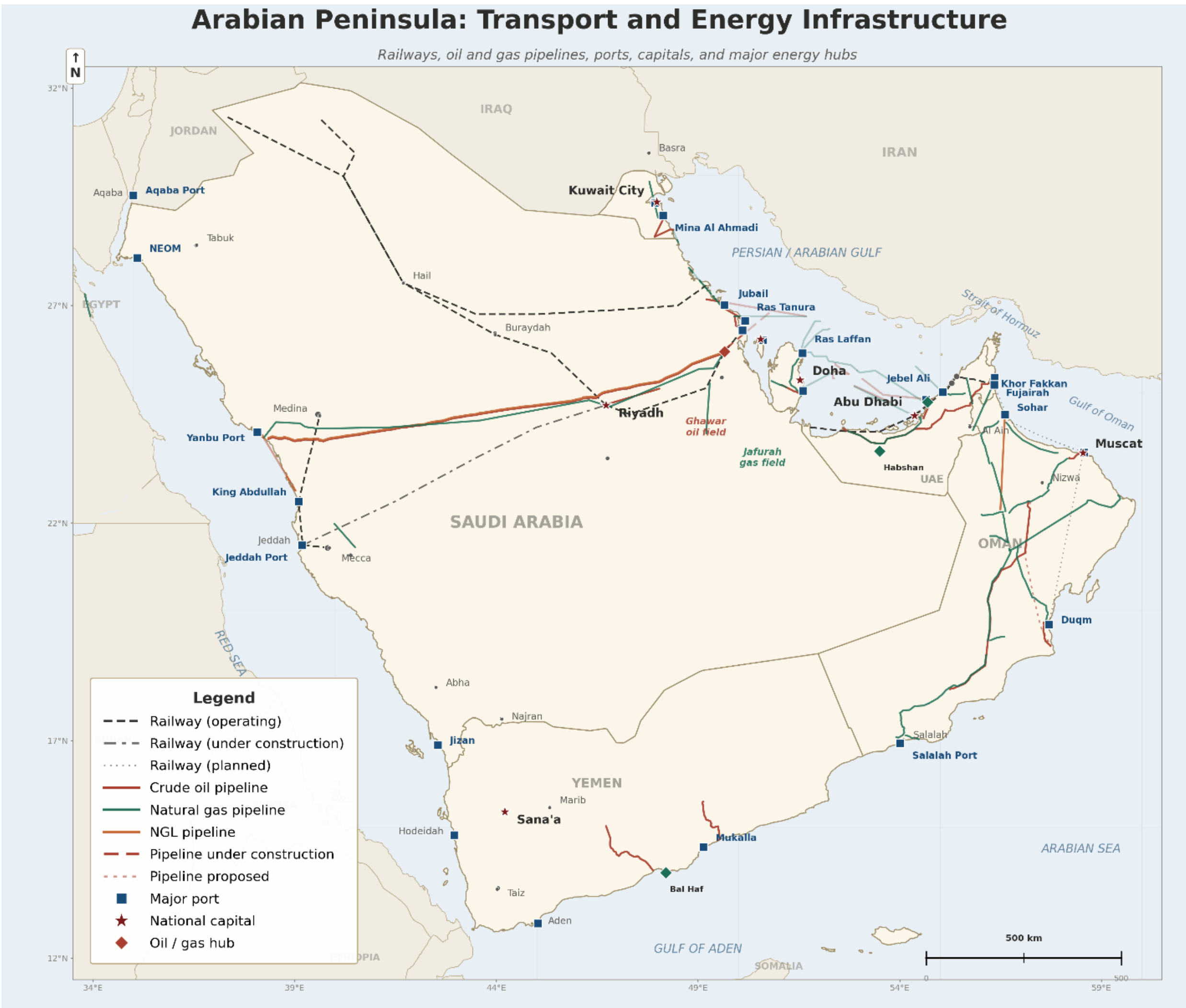

Figure 3. *Arabian Peninsula transport and energy infrastructure: operating, under-construction, and planned railways alongside oil, NGL, and natural gas pipelines, with major ports, capitals, and energy hubs. Produced by Axis Institute from Global Energy Monitor GOIT and GGIT pipeline route data, Saudi Arabia Railways and Etihad Rail network maps, and Natural Earth 1:10m base layers.*

The infrastructure that makes Oman analytically central to the post-Hormuz corridor logic is its port system. Oman operates three deep-water ports outside the Strait, namely Salalah close to the Gulf of Aden, Sohar on the Gulf of Oman, and Duqm on the open Arabian Sea. Combined throughput across Oman's port network reached 143 million tonnes in 2025, with container traffic rising 22 percent year-on-year. A 300 million dollar expansion at Salalah, completed in early 2025, lifted container capacity from 4.5 to 6.5 million TEUs. Each of these ports is geographically positioned to receive cargo that bypasses the Strait of Hormuz entirely, with Sohar and Duqm also positioned outside the Bab Al-Mandab chokepoint. The cross-border infrastructure connecting Omani ports to the wider Gulf has expanded in parallel, though much of it remains under construction. The Dubai-Oman Green Corridor, activated under Dubai Customs in March 2026, runs bidirectionally through the Hatta and Al Wajajah border crossings, with DP World Logistics managing sea cargo movements. Customs declarations through the corridor rose from approximately 12,000 to nearly 100,000 during Iran's attacks on Gulf states. A companion Sharjah-Oman corridor entered active service on 14 May 2026.

Demand-side pull is reinforcing Omani economic landfall as well. India revived the long-dormant Middle East-to-India Deepwater Pipeline in May 2026, a subsea gas line of roughly two thousand kilometres from the Omani coast to Gujarat designed to move Gulf gas to India while bypassing the Strait entirely. Survey work resumed as the closure pushed Asian spot prices sharply higher.[40] The evolving coordination between major energy importers and Gulf producers signals that Hormuz dependence is now treated by regional partners not as a temporary disruption but as a structural vulnerability demanding permanent infrastructure solutions to protect national interests.

The Hafeet Rail project connecting Al Ain in the UAE to Sohar Port reached 40 percent completion in April 2026, with daily freight train service planned to move up to 193,000 containers annually once operational. The Saudi-Oman Empty Quarter Highway via the Ramlet Khelah crossing has moved traffic in both directions through the review period, with cross-border trade values nearly tripling to roughly 830 million dollars in early 2026. The Economic Zone at Al Dhahirah (EZAD), a 388-square-kilometre Oman-Saudi shared economic zone, was established under Royal Decree 87 in May 2025 and is anchored by a four-square-kilometre dry port operated by Asyad Group. Phase 1 reached 14.9 percent completion by early 2026, with construction contracts awarded to a Saudi-Omani joint venture in May 2026.

The diplomatic dimension is structurally interlocked with the corridor integration infrastructure. Oman has held a neutral mediator role across two decades, hosting the JCPOA backchannel in the early 2010s, brokering the 2023 US-Iran prisoner exchange, and participating in regional conflict mediation. Muscat plays a critical role in the current 2026 US-Iran nuclear talks. Iran-Oman trade reached 419 million dollars in 2024, a 35 percent year-on-year increase, providing the bilateral baseline that distinguishes Omani neutrality from generic non-alignment. Neutrality and infrastructure work in the same direction. The Sultanate's standing as the regional actor trusted by Tehran, Riyadh, Abu Dhabi, Washington, and Tel Aviv simultaneously is what makes the Omani port network a viable bypass for cargo that cannot move through Saudi or Emirati infrastructure for political reasons. The operational capacity of the Omani port network is what gives that diplomatic standing measurable economic weight beyond the negotiating table.

The post-Hormuz environment has compressed the timeline on which Oman's diversification advantages become regionally consequential. Vision 2040, originally framed as a generational diversification plan, has been overtaken by a regional crisis that gives Omani infrastructure and neutrality immediate weight rather than long-horizon value. Oman's position is built on assets that are already operational and routing commercial traffic the rest of the region cannot route through Hormuz. The compression has been forced by the same shock to bankable corridors, and it gives Oman a structural opportunity to position itself as the gateway and connective tissue in the post-Hormuz order rather than as a peripheral GCC actor.

This structural opportunity is conditional. Oman's mediator status depends on all major actors continuing to treat Omani territory as neutral ground, and the review period itself has begun to stress that condition. The commercial port of Duqm was struck twice by Iranian drones in early March 2026, with one strike hitting a workers' accommodation unit and the second hitting a fuel storage tank, both confirmed by the Oman News Agency. A separate strike hit an industrial zone in Sohar, and additional attacks reached the Port of Salalah. India has increased its naval footprint at Duqm to protect mission-based deployments and bypass Hormuz escalations. The implication is that if Duqm becomes a logistics node for retaliatory operations, Omani neutrality with Tehran becomes harder to maintain.

The risk that Vision 2040 infrastructure becomes a target in proportion to its strategic relevance is real. Oman must navigate the trade-off between formal security partnerships that protect the corridor infrastructure and the neutrality that gives the Sultanate its diplomatic value. The argument made here is not that Oman will resolve that trade-off well, but that no other Gulf state has Oman's combination of port capacity outside the Strait, diversification trajectory, and diplomatic standing. The connective tissue position is structurally available, even if its consolidation is not assured. It rests on whether cross-border and shared integration infrastructure with Saudi Arabia and the UAE continues to expand under stress conditions.

5.2 Middle Powers as Keepers of the Connective Tissue

The persistence of the primary scenario depends not only on Gulf states absorbing the Hormuz shock through reroutable infrastructure, but also on the broader regional environment remaining manageable. Three non-Gulf middle powers carry disproportionate weight in that broader environment over the review period, namely Turkey, Egypt, and Jordan. None of these states is a major economic node in the corridor architecture itself. Each is a stabiliser of the conditions under which the corridor architecture can be built and operated. Although Pakistan carries diplomatic weight in the current 2026 Iran conflict, it does not exert the interventionist regional posture of the three countries named in this section. These middle powers do not generate the trade that flows through the region. They preserve the political and territorial conditions that allow trade to flow.

Turkey's role across the period has been the largest in operational reach. Following the collapse of the Assad regime in December 2024, Ankara became the principal regional sponsor of post-Assad Syria, providing military, infrastructure, and logistical support to the Sharaa government, underwriting Syrian state-building at a moment when no other regional actor was positioned to do so. Turkish firms locked in over 11 billion dollars in Syrian contracts including 7 billion in power generation and 4 billion in airport expansion, and Turkish exports to Syria rose 54 percent year-on-year in the first seven months of 2025. Turkey is leading reconstruction of the 30-kilometre destroyed section of the Hejaz Railway in Syria under a Turkey-Syria-Jordan agreement signed in September 2025, with Amman-Damascus passenger service targeted for late 2026 and the longer objective of restoring commercial rail connectivity to Istanbul. Saudi Arabia and Turkey have moved jointly in Syria, with Ankara focused on transit infrastructure and Riyadh on reconstruction and foreign investment. The Saudi Crown Prince personally brokered the 14 May 2025 meeting in Riyadh between President Sharaa and President Trump that produced the United States decision to lift sanctions on Syria.

Beyond Syria, Turkey has projected force across multiple theatres over the period, with active operations in northern Iraq against PKK positions, naval and air deployment to Somalia under the Ankara Declaration framework that has shifted from training to kinetic engagement against Al-Shabab, and a contested military presence in Libya supporting the Tripoli-based Government of National Unity. In parallel, Egypt and Turkey conducted their first joint naval exercises in 13 years in September 2025, formalising a rising military partnership across the Eastern Mediterranean and the Horn of Africa. Turkey is also the northern anchor of the Iraq-Europe Development Road, a 1,200-kilometre rail and highway corridor backed by a 2024 framework among Turkey, Iraq, Qatar, and the United Arab Emirates that would link Iraq's Grand Faw Port on the Gulf to Turkey and onward to Europe. The project's first 63-kilometre segment, connecting the Port to the Basra international highway, was inaugurated in December 2025, with the full corridor targeting Phase 1 completion in 2028. [38]

Egypt's stabilising role over the period has been concentrated in three theatres. In Gaza, Egypt anchored the diplomatic track that produced the October 13 2025 Sharm El Sheikh Peace Summit, co-signed by the Trump administration and Cairo, and formally ended the active phase of the Gaza war. Cairo preserved the Sinai red line under the 1979 Camp David framework against Israeli proposals to displace Gazan civilians into the peninsula, reinforced with armoured deployment along the border. In Sudan, Egypt has supported the Sudanese Armed Forces (SAF) against the Emirati-backed Rapid Support Forces (RSF). Cairo hosted the fifth consultative meeting on Sudan peace coordination on 14 January 2026 with regional and international representation; and operates a drone base at East Oweinat 40 miles from the Sudan border, launching Turkish-made Akinci drones in support of SAF positions. The Egyptian-Turkish alignment on Sudan, reinforced by parallel Saudi positioning, has held the SAF position against full RSF advance and has bounded the regional spillover of the Sudanese conflict. In the Horn of Africa more broadly, Egypt and Turkey have aligned in opposing Ethiopian hegemonic ambitions by backing Somalia and Eritrea, with Turkey's military deployment to Somalia. Egypt currently manages 1.2 million Sudanese refugees, the largest refugee community in the country, which reflects the existential character of Egyptian engagement in Sudan. Cairo acknowledges that a total state failure in Sudan would send millions more across the Egyptian border.

Jordan's role is geographically narrower but structurally significant as the "Corridor State" of the regional order. The Atlantic Council noted in April 2026 that Jordan remains "the only stable overland corridor between the Gulf and Syria with functioning border infrastructure and working relationships with every relevant party".[35] Jordan and Syria reached an agreement in early 2026 to ease commercial truck passage at the Nasib-Jaber crossing. Turkey is leading reconstruction of the Hejaz Railway, with Amman targeted as a node on the Damascus-Istanbul connection. The overland bridge Jordan anchors hardened materially over the review period. Saudi Arabia Railways opened a 1,700-kilometre freight corridor in March 2026 linking its Gulf ports at Dammam and Jubail to the Al-Haditha crossing on the Jordanian border, and Turkey, Syria, and Jordan signed a trilateral connectivity memorandum in April 2026 covering road, maritime, and rail links under a three-year roadmap. Taken together with the Hejaz reconstruction, these steps trace a continuous overland corridor forming between the Gulf and the Mediterranean through Jordanian territory.[39] Jordan is the indispensable node in that widening corridor integration.

Lebanon's formal request in February 2026 to join the India-Middle East-Europe Economic Corridor, submitted by President Joseph Aoun to French President Macron, signals that the broader IMEC framework is being widened beyond its original Israel-Gulf-India route to include Levantine connectivity. The United States administration's May 2026 declaration that Abraham Accords membership should be mandatory for six Muslim-majority states as a post-war condition names Saudi Arabia and Qatar as the primary targets, but the structural pressure falls elsewhere.[43] Lebanon and Syria face a coercive logic that Gulf states do not. Levantine corridor futures depend on Gulf patronage, and their ports sit on routes parallel to Haifa. Normalization may prove the only viable economic survival option available to governments operating under external dependency rather than a strategic political choice.

Jordan's stabilising contribution during the review period was not limited to geography. The Royal Jordanian Air Force conducted five military airstrikes inside Syria since the fall of the Assad regime in December 2024, with three of those strikes since July 2025 and the most recent on 3 May 2026, targeting drug and weapons trafficking networks operating out of Suwayda. The Jordanian Air Force also participated in US-led airstrikes against ISIS positions in Syria on 20 December 2025. During the Iran war that began on 28 February 2026, 240 missiles and drones crossed into Jordanian airspace, of which the Royal Jordanian Air Force intercepted 222 at a 92.5 percent interception rate across the kingdom. In Gaza, Jordan ran 127 unilateral humanitarian airdrops and 267 multinational airdrops in coordination with the UAE, Egypt, Germany, France, Italy, the Netherlands, and Greece, with King Abdullah and Princess Salma personally piloting and participating in airdrop missions. Where Egypt and Turkey stabilise the region through power projection, Jordan's weight comes through stable territorial geography reinforced by military action and humanitarian intervention across multiple theatres.

The three middle powers together hold the connective tissue of the broader regional environment in three different ways. Turkey provides the operational reach that makes post-Assad Syria a stabilising rather than fragmenting space. Egypt preserves the territorial integrity of the southern and eastern flanks of the regional order against Sudan collapse and Sinai escalations, while anchoring the shared management of post-war Gaza. Jordan holds the overland axis that connects Gulf economies to the Levant markets that are now seeking economic recovery. None of these states has the economic weight to drive the corridor architecture that Chapter 3.2 documented as the Gulf's compelled response to the Hormuz shock. However, they are key anchors for that architecture to function at the political and regional levels. The primary scenario's persistence path runs through Gulf infrastructural convergence, but it runs across territory that Turkey, Egypt, and Jordan influence significantly.

5.3 Conditions for Primary Scenario Persistence

The condition for the primary scenario to persist is precise. The primary scenario remains reachable if the forced infrastructural convergence among Saudi Arabia, the United Arab Emirates, and Oman continues to outpace the political fracture, with the integrated-order axis anchored by reroutable corridor capacity that survives Strait-of-Hormuz disruption rather than relying on its restoration. The middle-power layer must continue to absorb regional shocks across the theatres on which Turkey, Egypt, and Jordan now operate. Failure of either layer moves the system off the primary path. A GCC state becoming a belligerent in the war, or a collapse in any of the middle-power theatres, pushes the system toward Cascading Wars. Convergence that holds while premia remain elevated for an extended period, with corridors operating inside fences and without cross-sphere bridges, pushes the system toward Cold Peace in Spheres. At the time of writing, the system sits on the first path, inside the macroeconomic lag and before the shock has fully landed. The primary scenario remains reachable, but only through the redefinition of corridor logic this chapter has set out, as the connective infrastructure is being built under fire.

CHAPTER 6

Water and the Constructive Convergence Path

The principal determinant of whether the regional trajectory bends back toward the primary scenario is the continuation of the structural-convergence dynamic identified in Chapter 5. Its most consequential application is water. The "Hope? at Last" study weighted water-stress differential as the heaviest of all structural variables in its Monte Carlo engine, on the analysis that no Gulf or eastern Mediterranean state can sustain its population without continuous desalination output. The review period activated that variable destructively, as recorded in Chapter 4. This chapter sets out the constructive form of the same lever and the conditions under which it could move the system back toward the primary scenario.

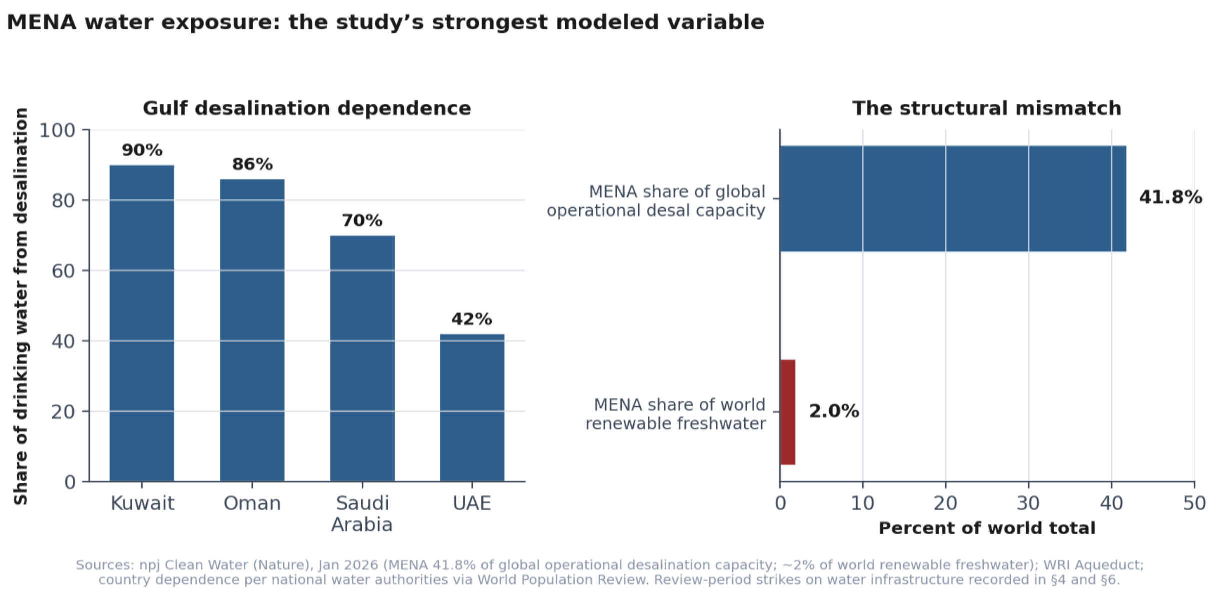

Figure 4. *Regional water exposure: the study's strongest modeled variable. Sources: npj Clean Water (Nature), January 2026; World Resources Institute Aqueduct; national water authorities. Strikes on water infrastructure during the review period are recorded in Chapters 4 and 6.*

The Gulf Cooperation Council operates approximately 40 percent of the world's desalinated water through more than 400 coastal plants serving a combined population of 62 million. National desalination dependence remains extreme, with Qatar at 99 percent of municipal water from desalination, Kuwait and Bahrain at 90 percent, Oman at 86 percent, Israel at 80 percent, Saudi Arabia at 70 percent, and the United Arab Emirates at 42 percent. Plant and underground reserve buffers are short. Bahrain holds approximately four days of water if its desalination plants are taken offline. Qatar's official reserves of 2,417 million gallons cover seven to ten days of municipal consumption. Kuwait's 4,186 million gallons cover ten to fifteen days at current withdrawal rates. The United Arab Emirates consumes 520 litres per capita daily, the highest in the world. These figures together establish that any sustained disruption to Gulf desalination output would produce humanitarian and economic crises on a timeline measured in days rather than weeks.

The review period demonstrated the kinetic vulnerability of this infrastructure for the first time. On 7 March 2026, a desalination plant on Iran's Qeshm Island in the Strait of Hormuz was struck (Iran attributed the attack to the United States, which denied responsibility), cutting water to roughly 30 villages, with the plant remaining offline a month later. On 8 March, an Iranian drone strike damaged a Bahraini desalination facility, with Bahrain attributing the attack publicly to Iran. Iranian drones reportedly struck the Fujairah F1 power and water plant in the United Arab Emirates and two desalination plants in Kuwait during the same period. An earlier Iranian attack on Dubai's Jebel Ali port landed dangerously close to 43 desalination units. On 22 March 2026, Iran issued an explicit public threat that Gulf desalination plants would be targeted directly if the United States struck Iran's national power grid.[36] The threat is operationally credible. The Gulf's most acute single dependency was placed under direct kinetic pressure for the first time, and the threat to escalate that pressure remains active at the time of writing.

The constructive lever the study identified is the same variable reactivated in cooperative form, and it has a documented institutional template the Gulf has already built. The Gulf Cooperation Council Interconnection Authority (GCCIA), established in 2001 and operational since 2009 with full integration in 2014, links the power grids of all six member states and provided emergency power transfers across the network. The same cross-border grid logic extends beyond the Gulf. The first large-scale high-voltage direct-current link between Saudi Arabia and Egypt, a 3,000-megawatt interconnector across the Gulf of Aqaba, reached its commissioning phase in late 2025 and ties the Gulf network to North Africa for the first time. [41]

In September 2021, GCC energy ministers convened to discuss a joint GCC authority for water security, including a water interconnection network and a regional desalination strategy. In early 2022, Saudi Arabia and Kuwait initiated a bilateral study of a cross-border water connection. Neither track advanced, as water continued to be viewed as a sovereign resource rather than as a strategic risk-sharing asset. Despite the technical capacity, the existing institutional model in the GCCIA, and the GCC's hydrological dependency profile, a shared water grid remains the most repeatedly proposed and unrealized regional cooperative vehicle.

The strategic logic for converting the proposal into infrastructure is the same logic that drove the Saudi-Emirati infrastructural convergence documented in Chapter 3.2. Common exposure to a threat raises the cost of disruption symmetrically across all six GCC states, with national reserve buffers so short that no individual state can absorb a sustained desalination strike unilaterally. It is the same compelled-convergence dynamic that is currently building the corridor bypass architecture under fire.

Several recent moves have begun to assemble the architecture in partial form. Saudi Arabia secured 650 million dollars in Asian Infrastructure Investment Bank financing in 2025 for desalination capacity upgrades. ACWA Power and Bapco Energies signed a joint development agreement on 9 December 2025 to strengthen Saudi-Bahraini energy and water sector cooperation. Saudi Arabia advanced a 587-kilometre transmission pipeline under build-operate-own-transfer structure linking Jubail to Buraydah at 650,000 cubic metres per day, strengthening domestic redundancy between coastal desalination hubs and interior demand centres. None of these moves constitutes the cross-Gulf water interconnection the 2021 ministerial proposal envisaged. Each demonstrates that the technical and financial capacity to build at that scale is available, and that the bilateral and corporate vehicles for it are already operating. What has not happened is the political decision to formalise a joint authority on the GCCIA model.

The United Nations Water Conference scheduled for December 2026, co-hosted by the United Arab Emirates and Senegal, is the next visible window for that decision. The UAE has positioned itself as a global convener on the water file and has the technical credibility and financial capacity to anchor a regional initiative. The Iran war provided the risk demonstration. Whether this period produces a corridor bypass and a shared GCC water grid is the single most consequential trajectory determinant for the primary scenario beyond the immediate Hormuz shock. If corridor integration extends to desalination architecture, the system gains the connective tissue that no other lever in the study's policy framework can deliver at comparable scale. If it does not, the desalination infrastructure remains exposed at the level demonstrated in March 2026, risking another escalation cycle that would find the Gulf fragile on both water and fiscal shocks.

CHAPTER 7

Early Signals for the Next Twelve Months

This note is the first in a recurring series. The next assessment is planned for approximately twelve months from publication. The following conditions, derived from the study's own switching conditions and updated for the inverted security floor, are the observable signals that will register the trajectory over that period. Each is stated with the threshold that would constitute a meaningful signal.

Strait of Hormuz Transit Durability

Daily transit is measured against the pre-war baseline. The meaningful signal is sustained transit above a normalised share over consecutive months, rather than episodic passage. Durable reopening, not intermittent, is what bears on the corridor-persistence condition of Chapter 5.

Iranian Retrenchment and Succession Trajectory

The signal here is whether the post-succession Iranian leadership consolidates the strategic retrenchment documented in Chapter 2.1 or begins to rebuild forward proxy projection. Assessment runs through observable conduct rather than declared intent. The directional persistence of retrenchment matters more than the identity of the successor.

Saudi–Emirati Convergence Against Fracture

The signals are whether new joint infrastructure beyond what is already documented is initiated, whether existing projects (Sharjah-Dammam, Hafeet Rail, EZAD, the West-East Pipeline) reach the operational milestones currently scheduled, and whether proxy contests in Yemen and Sudan escalate or stabilise. Continued convergence on infrastructure under continued fracture on theatre alignments would confirm the offsetting dynamic identified in Chapter 3.2. Convergence stalling or proxy escalation widening would falsify it.

Saudi Nuclear Trajectory and Regional Proliferation Pressure

Whether the US-Saudi civil nuclear agreement advancing in 2026 is finalized on terms that permit enrichment on Saudi soil. The draft omits uranium-enrichment prohibition the 2009 Emirati agreement contained. The signal is the convergence of that agreement with the ambiguous nuclear language of the Saudi-Pakistan defence pact and the Kingdom's stated intent to enrich, which together would move regional proliferation from a latent risk toward a structural variable. It registers most sharply against the simultaneous Western demand that Iran surrender its own enrichment as the price of a ceasefire. [44]

Conversion of the Lebanese Track

Whether the Israel-Lebanon negotiating framework documented in Chapter 2.3 converts to verifiable disarmament of Hezbollah or stalls at the framework stage. Conversion would move the Lebanon assessment from direction-held toward completion. Persistent stalling, repeated ceasefire violations, or the Lebanese Armed Forces failing to enforce demilitarisation in any sector would push the assessment in the opposite direction.

Normalization Trajectory and Israeli Political Variance

Whether the Israeli 26th Knesset elections scheduled for October 2026 (or earlier) return a coalition that sustains a present deterrence security posture or one that moves toward negotiation. First national vote since October 2023 and results function as a referendum on Iran war. Whether the United States administration's May 2026 push for Abraham Accords membership as a post-war condition produces a formal commitment from any state before the next assessment. The signals are the composition of the next Israeli coalition and the posture it adopts toward normalization and the Iran settlement. Movement by Lebanon or Syria, not a Gulf state; would register as a meaningful shift toward the primary scenario's original diplomatic architecture.

Implementation of the United States Posture

Whether the redefinition in the 2026 National Security and National Defense Strategies is implemented as enabling rather than underwriting in observable practice, assessed through basing, reconstruction of damaged United States assets in GCC states, and military coordination with regional allies on Iran strikes.

Middle Power Theatre Stability

Whether the three stabilising roles documented in Chapter 5.2 hold. Turkey in post-Assad Syria, Egypt in Gaza and Sudan, and Jordan as corridor state and air-defence anchor. The signal is the absence of failure across all three theatres. Failure of any middle power or turning to direct conflict would falsify the assessment and push the system toward Cascading Wars.

GCC Institutional Cohesion Under Competitive Multipolarity

Whether the Gulf Cooperation Council Secretariat continues to function as a coordinating body or whether the Saudi-Emirati political fracture begins to disable it institutionally. The signal is the holding or breaking of GCC ministerial coordination, summit attendance, and Secretariat-led initiatives. This bears directly on the live question Chapter 3.2 left open.

Water: Cooperation Against Weaponization

Any movement toward a cross-Gulf water-grid arrangement on the GCCIA model documented in Chapter 6, set against any further strike on water infrastructure. The December 2026 UN Water Conference co-hosted by the UAE and Senegal is the visible window. This is the study's strongest modelled variable, and its direction is the single highest-information signal for the regional trajectory.

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