ISP INSTITUTE FOR STRATEGIC POLICY
สถาบันนโยบายยุทธศาสตร์

The 2026 Middle East Crisis Update: A Strategic Analysis of Impact on the World, the ASEAN region and Thailand

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Introduction

For almost one week now, the Middle East has been engulfed in a high-intensity conflict following a massive U.S.-Israeli military campaign launched on February 28, known as *"Operation Epic Fury."*[1] The initial strikes, which targeted Iranian command centers and nuclear research sites, reportedly killed Supreme Leader Ayatollah Ali Khamenei and several high-ranking officials.[2] This has triggered a wave of Iranian retaliatory strikes across the Gulf, targeting U.S. embassies and energy infrastructure in Saudi Arabia, Qatar, and the UAE.[3]

This paper examines the evolving military expectations, the resulting energy shocks, and the specific strategic risks and opportunities for the ASEAN region and Thailand.

1. What the US and Iran are Expect to Do Next

Geopolitical analysts are currently tracking a shift from initial strikes to a "punishing" phase of attrition.[4]

The United States: Sustained Attrition and Air Superiority

- **Expansion of the Air Campaign:** President Trump has stated the U.S. has the "capability to go far longer" than the initial 4 to 5 weeks projection.[5] The U.S. expects to continue striking missile launch sites and internal security infrastructure to prevent the Iranian regime from reconstituting its authority.[6]

- "**Hardest Hits" Phase:** Secretary of State Marco Rubio warned that the "next phase will be even more punishing," focusing on preempting any Iranian retaliation by striking "proactively in a defensive way."[7]
- **Ground Troops Contingency:** While there is currently no prediction of a full-scale ground invasion, U.S. officials have not explicitly ruled it out if "regime change" objectives are not met through airpower alone.[8, 9]

Iran and Allies: Regionalizing the War

- **Asymmetric Retaliation:** Iran expects to leverage its proxy network to make the conflict unsustainable for U.S. allies. Hezbollah in Lebanon has already defined the killing of the Supreme Leader as a "red line" and is expected to broaden rocket fire into Israel.[10, 11]
- **Targeting the Gulf:** Iran and its allies are expected to continue targeting U.S. military assets and civilian airports in countries like Kuwait, Qatar, and the UAE to fracture the regional alliance.[12, 13]
- **The "Hormuz Card":** Despite the destruction of several naval ships, Iran intends to keep the Strait of Hormuz effectively closed to shipping via mines and shore-based missiles, threatening to "set on fire" any tanker attempting the passage.[14, 15]

2. Impact on Oil Prices

The Middle East remains the "energy heart" of the global economy, and the current instability has immediately re-indexed crude prices.

- **Immediate Surge:** On Monday, March 2, Brent crude prices spiked by **14%**, reaching approximately **$82.37** per barrel.[16]
- **Chokepoint Closure:** With the Strait of Hormuz—the transit point for 20% of global petroleum—effectively blocked, prices remain highly volatile.[17]
- **Price Forecasts:** If the conflict persists for over a month, analysts predict Brent could hit **$113**. A three-month disruption could see a historic spike to **$185** as global reserves are depleted.[18]

3. Impact on the World Economy

The conflict delivers a "**double-shock**" of **inflation** and **supply chain disruption** to a global economy already facing trade tensions.[19]

- **Inflationary Spike:** Rising energy and transport costs act as a "geopolitical tax," likely forcing central banks to maintain high interest rates, which slows global growth.[20, 21]
- **Supply Chain Disruption:** Maritime insurance premiums have, thus far, jumped by **50%**, and the closure of regional airspace has grounded thousands of flights, delaying high-value cargo between Asia and Europe. [22, 23]

4. Impact on ASEAN and Thailand

As a net energy importer and manufacturing hub, ASEAN is highly exposed to this volatility.

Thailand's Vulnerabilities and Responses

- **Energy Security:** Thailand relies on the Middle East for **80% of its crude oil**.[24] As of March 4, the government has activated an "Energy War Room" and confirmed **61 days of oil reserves**. To protect domestic supply, Thailand has temporarily **suspended petroleum exports**.[25]
- **GDP and Tourism:** The NESDC warns that a prolonged war could slash Thailand's 2026 GDP growth to **1.3%**.[26] Tourism from the Gulf could plunge by **80%**, although Thailand may see a long-term "pivot" as travelers seek Bangkok as a safer alternative to disrupted Middle Eastern hubs.[27, 28]
- **Labor:** There are approximately **100,000 Thai workers** in the region. The Thai Foreign Ministry is currently surveying nationals for potential evacuation, with initial repatriations from Iran already underway.[29, 30]

5. Recommendations for Thailand

Given the continued uncertainties, Thailand must position itself for a more volatile future. The country must **move beyond temporary reaction and implement robust contingency plans** for both the immediate and medium terms.

- **Recommendations for the Immediate-Term:**

    1. **Energy Buffer Management:** Utilize the **Oil Fuel Fund** to shield the public from immediate retail price hikes, specifically watching the $100/barrel "**tipping point**" for diesel.[31]
    2. **Labor Protection:** Fast-track the registration and evacuation plans for citizens in high-risk zones like Iran, Iraq, and Kuwait.[32, 33]

3. **Financial Support:** Leverage **USD 300 billion in international reserves** to stabilize the Baht and provide liquidity to exporters facing 50% higher freight costs.[34, 35]

- **Recommendations for the Medium- Term:**

1. **Leverage the country's USD 300 billion in international reserves:** to stabilize the overall economy and protect the country's industrial heartbeat, especially those driven by foreign investments.
2. **Supply Chain Diversification:** explore the possibility of shifting long-term energy sourcing toward **Africa and the Americas** to reduce dependency on the Strait of Hormuz and the Red Sea.[36]
3. **Strategic Hub Pivot:** Market **Suvarnabhumi Airport** as the premier, secure gateway for East-West transit while Middle Eastern hubs remain unstable.[37, 38]

6. Conclusion

The current geopolitical landscape suggests that the conflict in the Middle East is no longer a localized skirmish but has transitioned into a prolonged regional war of attrition. With the Strait of Hormuz effectively closed and the U.S. air campaign entering a sustained "punishing" phase, the possibility of further escalation remains high. The risk of more countries being drawn into the kinetic conflict—either through direct military involvement or as targets for asymmetric proxy attacks—is a persistent threat that could lead to a permanent restructuring of global energy trade.

Consequently, **Thailand must move beyond temporary reaction and implement robust contingency plans for both the immediate and medium-term**. By fortifying energy security and leveraging its USD 300 billion in international reserves to stabilize the economy, Thailand can protect the country's industrial heartbeat and safeguard its national interest against the deepening global instability of 2026.

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Footnotes

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