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The Iran War and Its Regional Spillover: Business Implications, Risk Management, and Positioning for the Post-War Reset

2 April 2026

1. THE CONFLICT AND ITS IMPLICATIONS

Background

More than one month has elapsed since the start of the US–Israel war against Iran on 28 February 2026. Initial assumptions that the conflict would remain contained or short-lived have not materialised and it appears that the businesses should prepare for a protracted military action, with no immediate prospect of a ceasefire, and with massive commercial impacts, regionally and globally.

This has created disruptions in supply chain and prices (in particular in energy sector which proved to be the chokepoint). Moreover, the situation is giving rise to deepening uncertainty as well as emergence of contractual defaults, enforceability constraints, in unavailability of finance, and trust issues in commercial relationships. These are beginning to crystallise into more structural challenges where supply chains are being reconfigured, financing arrangements are subject to increased scrutiny and hesitation, contractual protections (such as force majeure, MAC, hardship and termination clause) become stricter and more draconian.

In this context, it is necessary for businesses to adopt a more conservative approach with a higher level of risk management framework incorporated into the legal, financial and operational considerations. This will involve not only managing immediate risks, but also planning for a post-conflict environment in which commercial relationships, regulatory and market dynamics materially differ from what was prior to the conflict.

The Systemic Uncertainty

The current geopolitical tension has moved beyond simple operational disruption. We are now seeing a pervasive uncertainty that has fundamentally altered how parties approach trade, logistics, and capital deployment. The primary concern is no longer the logistics of the delay itself, but the resulting paralysis in corporate governance: a marked hesitation in executing

contracts, the deferral of critical investments, and a defensive tightening of risk tolerance. In practice, this shift translates into three ways:

- (a) Uncertainty is no longer treated as a remote exposure. Instead, it has become a central commercial parameter, directly dictating how deals are priced, how assets are valued, and how performance obligations are structured;
- (b) war-related risk is increasingly being priced into key components of commercial activities, including shipping, inventory management, credit exposure, insurance coverage as well as procurement strategies; and
- (c) businesses are required to make decisions on the basis of incomplete and evolving information, often without the benefit of reliable forward visibility.

Accordingly, while disruption has become part of the daily business life, hesitation (manifested in slower decision-making and reduced transactional confidence) inflicts the most adverse impact.

Prolongation Scenario

The consequences of Iran war are intensified as it further continues. Where disruption was initially perceived to be short-term and manageable, a prolonged conflict fundamentally changes this assumption which warrant structural commercial realignment.

In such circumstances, temporary operational workarounds are expected to become more frequent and permanent. Also, defaults and distressed scenarios resulted from financial stress are expected to increase. After a while, legal disputes will emerge triggered by default, force majeure events, bankruptcy and the like.

These developments reflect a broader pattern: while the immediate phase of conflict is characterised by operational disruption and uncertainty, the subsequent phase is defined by legal and financial actions.

Lessons From the Covid Pandemic Era

The Covid-19 pandemic offers a useful reference point for understanding the current environment, as it has common aspects such as the disruption and the uncertainty and in a broader sense the structural issue in global business. It demonstrated the risks associated with over-concentration in supply chains, insufficient insurance coverage and an overly relaxed approach to contractual protections.

The present conflict reinforces many of these lessons, but in a much more complex context. In addition to operational disruption, businesses must now contend with factors such as sanctions exposure, sovereign intervention, military escalation and increased legal uncertainty. As a

result, resilience is no longer solely an operational consideration, but one that must be integrated with legal and geopolitical risk management.

These lessons point to a broader shift in approach: Covid-19 required businesses to prioritise resilience. The current environment requires them to integrate resilience with considerations of sovereignty, legal enforceability and geopolitical risk.

2. WHAT TO DO AND WHAT TO AVOID

Common Pitfalls and What Businesses Should Avoid

With the complexities involved in the current business environment, it is important for businesses to avoid common missteps that may exacerbate exposure or undermine legal and commercial positioning. These are what businesses should avoid:

- (a) Assuming a return to “business as usual”: A prolonged conflict is likely to produce lasting structural changes. Planning on the basis of a full reversion to pre-conflict conditions may result in misaligned strategies and inadequate risk mitigation.
- (b) Overreliance on force majeure without proper legal ground: Invoking force majeure provisions without satisfying contractual thresholds or evidentiary requirements may weaken a party’s legal position and expose it to counterclaims.
- (c) Failure to comply with statutory or contractual notice and procedural requirements: Contractual rights (particularly in relation to force majeure, termination or variation) are often contingent on strict notice provisions. Failure to comply may result in the loss of otherwise available protections.
- (d) Allowing counterparties to default without any attempt to negotiate: Early and constructive engagement with counterparties can preserve value and facilitate negotiated solutions. Passive approaches may reduce recovery prospects and increase the likelihood of disputes.
- (e) Relying on informal or verbal accommodation: Commercial adjustments should be properly documented. Reliance on informal understandings may create evidentiary challenges and legal uncertainty.
- (f) Underestimating sanctions and payment risk: Sanctions exposure and payment constraints should be treated as core legal and commercial considerations, rather than peripheral issues delegated to counterparties or intermediaries.
- (g) Pursuing distressed opportunities without adequate diligence: Transactions involving distressed assets require careful assessment of title, regulatory compliance, sanctions exposure and enforceability. Apparent value may be offset by legal and structural risks.

Risk Management Strategies: Immediate And Strategic Priorities

Effective risk management requires a combination of immediate measures and longer-term strategic planning. Businesses should adopt a structured approach that addresses both current exposure and future positioning.

Immediate actions

Businesses should undertake a comprehensive assessment of their exposure across key operational and legal matters, including counterparties, shipment routes and logistics, payment channels and banking relationships, key contracts and contractual obligations, insurance coverage; as well as sanctions exposure and related compliance risks.

In this exercise the relationships should be categorised to enable prioritised action, in particular identifying those that are critical and not readily replaceable, high-risk but manageable with mitigation measures, suitable for renegotiation; and likely to give rise to disputes.

Not all disruptions will trigger contractual relief. But in any case, businesses should carefully analyse trigger thresholds and drafting, notice requirements and timing, obligations to mitigate, ongoing payment obligations, termination rights; and governing law and dispute resolution mechanisms. In addition, insurance policies should be reviewed to assess the scope and limitations of coverage, particularly in relation to war risk, delivery delays, business interruption, and the like.

Needless to say, where possible, businesses should seek to diversify and build flexibility into their operations, by onboarding alternative suppliers, using alternative ports and logistics routes, using diversified banking channels; and ring-fenced or restructured operational arrangements to contain the exposure.

Long-term strategic actions

The businesses are much exposed to the external geopolitical factors and they need to develop potential scenarios to which they can respond if any of them unfolds. This includes a short conflict with partial stabilisation, a prolonged conflict with further regional engagement; and a ceasefire followed by a volatile and uncertain reopening phase.

From governance perspective, the legal and compliance departments should be move to the front in commercial decision making to better assess the legal and compliance risks. Establishing a dedicated geopolitical or war-risk committee integrating legal, finance, operations, compliance and procurement functions to ensure coordinated decision-making will be an ideal structure.

Record-keeping has become more critical. In the event of disputes, contemporaneous documentation of decisions, communications and performance issues will have significant evidentiary bearing.

3. POST-WAR ENVIRONMENT

The Reshaped Post-War Business Environment

A prolonged conflict adversely affects the straightforward return to pre-existing commercial conditions. It will certainly give rise to a reconfigured regional and cross-border business environment, in which legal certainty and geopolitical alignment will have greater importance. In this context, cross-border trade and investment are likely to be redefined along several key dimensions:

Contracts prevail over trust

Commercial relationships are expected to become more formalised, with reduced reliance on informal understandings. Greater emphasis will be placed on enforceable protections, including security arrangements, termination rights, pricing adjustment mechanisms, sanctions-related provisions and, where relevant, foreclosure and step-in rights.

Diversified jurisdictional portfolio

Businesses are expected to diversify their portfolio to involve regions with less conflicts. Investments may not be centralised, or the supply may no longer be sourced from a specific region or hub.

Greater geopolitical alignment (“friend-shoring”)

Counterparty selection is likely to be influenced not only by commercial considerations, but also by geopolitical factors. This may lead to a reorientation of trade flows and commercial partnerships along politically aligned corridors.

Elevated compliance

Compliance is expected to move beyond a purely operational or back-office role. Enhanced due diligence, including beneficial ownership analysis, scrutiny of payment routes and export control considerations, will become integral to transaction structuring and execution.

Early-stage dispute planning

Businesses are likely to adopt a more deliberate approach to dispute resolution at the contracting stage, with increased focus on governing law, choice of forum, availability of interim relief, evidentiary considerations and enforceability of outcomes.

These developments suggest a clear shift. After the conflict, the key question will not simply be who is willing to trade, but under what protections, through which channels, and subject to which political risk assumptions. More broadly, the post-conflict environment may not represent a return to the previous equilibrium, but rather the emergence of a reshaped regional order.

4. CONCLUSION

The implications of a prolonged Iran conflict extend well beyond immediate operational disruption. As the duration of the crisis increases, its effects alters the commercial structures, legal relationships and strategic decision-making across the region and beyond.

For businesses, the central challenge is no longer limited to managing short-term volatility. It is to re-assess the risk allocation, contract structuring, and maintaining cross-border relationships in an environment defined by uncertainty, regulatory complexity and evolving geopolitical (mis)alignments. In this environment knowing what is involved and plan ahead the immediate and strategic actions are vital.

Eventually, the post-conflict environment is unlikely to represent a return to prior conditions, but rather the emergence of a reshaped commercial landscape. The relevant question for businesses is therefore not only how to navigate the current disruption, but how to position effectively for what follows.

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