



MAKING SENSE OF THIS WORLD

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War In Iran: The False Myth of “Finishing The Job”

As we are eagerly awaiting a breakthrough in the negotiations between the US and Iran, it is worth reflecting on a concept that has been flagged on several occasions by public officials and commentators alike. This is the idea that the US should not engage in further negotiations with the Iranians, but rather should re-start the military operation and, by doing so, “finish the job.”

It is not clear what this expression would mean in practice, but one can imagine it could be interpreted as proceeding with regime change, and installing a government less hostile to the US and its allies in the Middle East, starting with the monarchies of the Arabian Peninsula. In fact, anything short of regime change (e.g. stopping Iran’s nuclear program) would not amount to a finished job, as the existing regime could re-start its activities considered by the US as hostile. So, how likely is regime change? And what would a new regime less hostile to the US look like?

The answer to the first question is: very unlikely. To get to regime change, the US would need to pursue two potential paths that are currently not available as viable options. The first path would be a ground invasion (“boots on the ground”), an option that would require the US to deploy between 500,000 and 1 million soldiers and accept a high number of casualties. Trump does not seem inclined to accept those risks. The second path would be deploying nuclear weapons, as Trump alluded to when he mentioned his intention to eliminate “a whole civilisation” in one night. But that option is also currently unviable. If Trump deployed a nuclear weapon to prevent another country from obtaining a nuclear weapon, the result would be that all other countries in the region will want to have one, to make sure that they will not be attacked in the future. First countries on the list would be Saudi Arabia, Egypt and Turkey, to begin with.

But let’s assume that the US finds a way to get to regime change that is politically acceptable and practically feasible. *What would a new regime less hostile to the US look like?* One should note that Iran did have a very different regime, a democratically elected one, in the 1950s. But in 1953 a coup orchestrated by the CIA and the US, at the instigation of Britain, which was pre-occupied with the nationalisation of the country’s large oil reserves (at that time exploited by the Anglo-Iranian Oil Company, later renamed British Petroleum, today’s BP) deposed the democratically elected government led by Mohammed Mossadegh and gave most powers to the Shah Reza Pahlavi.

The Shah led a regime that was certainly closer to Western interests and introduced a very Western approach in social life. But the country reacted to what was perceived as foreign interference and this led to the Islamic Revolution that brought Khomeini to power. The Islamic Republic that the US is confronting now is the result of that revolution. This is to remind everybody that any Western attempt to achieve regime change may actually lead to an outcome that is the opposite of the desired one.


Now, let’s assume that the US still manages to pursue and possibly obtain regime change in Iran. Even in that case, we should still dispel the myth that this would be akin to “finishing the job.” To prove this, one should look at the history of the country. Iranians are a proud civilisation that has existed, in different forms, over the last 2500-3000 years. They created an empire, which lasted around 200 years, from 550 B.C. circa to 330 BC circa, when it was defeated by the army of Alexander the Great, and became one of the largest empires in history, stretching from Europe’s Balkan Peninsula in the West to India’s Indus Valley in the East. The empire was a global hub of culture, religion, science, art, and technology. In 1971, the then Shah Reza Pahlavi celebrated the 2500th anniversary of the Persian empire, with a massive gathering in Persepolis, the old capital, which was re-built on purpose.


The Iranians only respect two major civilisations: the Greeks, to their West, because they were able to defeat their empire; and the Indians, to their East, because they are even older and equally developed from a social and technological standpoint. Iranians reportedly don’t like being called “Persians” because this was the name that the Greeks gave them. Even the mighty Romans, whose empire lasted more than thousand years, were defeated by the Iranians.


Iran is the land of the Aryans, and is therefore ethnically different from all the Arab countries of the Middle East. When they were conquered by Islam, they wanted to have their own version of it, the Shiite, not to be confused with the Sunni version of the Arab countries. Iranians had their own religion, the Zoroastrian, before Islam; today still the Zoroastrian eagle is a symbol of the country.

Given this historical background, it is obvious that no short-term military campaign would be able to bring down this civilisation, which has been around for thousands of years. Also, this civilisation is proud of its differences compared to the surrounding ones, being Arabs, Indians, or Western. So, no regime that could be installed by foreign powers to rule the country can be made similar to its neighbours; it cannot be “normalised” or made “compliant” to norms that are not produced by itself. In this sense, there’s nothing that current military campaigns can do to “finish the job,” because this is a job that cannot be finished.

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Looking Ahead

The Week Ahead: EZ GDP To Decelerate, US And EZ Unemployment To Remain Unchanged, PMIs To Fall In EZ And UK

In the US, in May, unemployment rate is likely to remain at 4.3%. NFPs are seen rising by 96K (*p*: 115K). In April, S&P Global Manufacturing PMI is expected to rise to 55.3 (*p*: 54.5). Services PMI is likely to fall to 50.9 (*p*: 51.0). Composite PMI is seen remaining at 51.7.

In the EZ, in Q1, according to the third estimate, GDP growth rate is expected to decelerate to 0.1% q-o-q (*p*: 0.2%) and 0.8% y-o-y (*p*: 1.2%). In April, according to flash estimates, headline and core inflation rates are likely to increase to 3.3% y-o-y (*p*: 3.0%) and 2.4% y-o-y (*p*: 2.2%). In April, S&P Global Manufacturing and Services PMI are expected to decline to 51.4 (*p*: 52.2) and 46.4 (*p*: 47.6). Composite PMI is expected to decrease to 47.5 (*p*: 48.8). In April, unemployment rate is seen remaining at 6.2%. In April, retail sales are expected to shrink by 0.3% m-o-m (*p*: -0.1%).

In the UK, in April, S&P Global Manufacturing PMI is expected to stand unchanged at 53.7. Services and Composite PMIs are seen decreasing to 47.9 (*p*: 52.7) and 48.5 (*p*: 52.6).

The Quarter Ahead: SoftBank to Invest €75B in French AI Hub; EU Weighs Pause in Russian Oil Cap Adjustments

SoftBank announced a €75 billion AI infrastructure program in France, including an initial €45 billion investment over five years to develop large-scale AI data centers and 5 GW of computing capacity. The project, SoftBank's largest AI investment in Europe, aims to position France as a leading AI hub despite Europe's challenges in competing with the US and China amid higher energy costs.

The EU is considering freezing its Russian oil price cap as Middle East tensions and disruptions in the Strait of Hormuz push oil prices higher. Officials fear the bloc's automatic pricing mechanism could raise the cap above \$65 per barrel, potentially weakening sanctions. The proposal may be included in the EU's upcoming 21st sanctions package against Russia.

Last Week's Review

Real Economy: QoQ GDP Advanced In US And Italy, Shrank In France; PCE Prices Index Rose In US

In the US, in Q1, according to the second estimate, GDP growth rate advanced by 1.6% q-o-q (*c*: 2.0%; *p*: 0.5%). In April, PCE and Core PCE prices index rose by 3.8% q-o-q (*c*: 3.8%; *p*: 3.5%) and 3.3% q-o-q (*c*: 3.3%; *p*: 3.2%).

In the EZ, in May, economic sentiment increased to 93.5 (*c*: 92.8; *p*: 93.2). Consumer confidence increased slightly to -19 (*c*: -19; *p*: -20.6). Industrial sentiment deteriorated further to -8 (*p*: -7.7) as expected. Among the largest EZ economies, in Q1, GDP growth rate: *i*) shrank by 0.1% q-o-q (*c*: 0.0%; *p*: 0.2%) and rose by 0.9% y-o-y (*c*: 1.1%; *p*: 1.3%) in France; *ii*) advanced by 0.3% q-o-q (*c*: 0.3%; *p*: 0.3%) and 0.8% y-o-y (*c*: 0.7%; *p*: 0.8%) in Italy,

Financial Markets: Stocks Rose; Yields Edged Down; US Dollar Declined; Oil Prices Fell, While Gold Prices Increased

Market Drivers: US equities reached record highs, supported by optimism over a potential US-Iran peace agreement, lower oil prices, and continued strength in AI-related stocks. UST yields declined as easing energy prices and progress in negotiations boosted demand for bonds. European markets also advanced modestly, with investors closely monitoring developments that could restore oil and gas flows through the Strait of Hormuz.

Global Equities: increased w-o-w (MSCI ACWI, +1.6%, to 1,130.75). The US S&P 500 index rose (+1.4% w-o-w, to 7,580.06). In the EZ, share prices were up (Eurostoxx 50, +0.5% w-o-w, to 6,050.54) In EMs, equity increased (MSCI EMs, +3.9%, to 1,752.15) Volatility fell to 17.59 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: w-o-w, the 10-year US Treasury yields were down (-3 bps to 4.45%). The 2-year US Treasury yields decreased (-10 bps to 4.01%). The German 10-year bund yields fell (-10bp to 2.93%).

FX: w-o-w, the US Dollar Index decreased (DXY, -0.3%, to 98.9; EUR/USD +0.5%, to 1.17). In EMs, currencies increased (MSCI EM Currency Index, +0.6% w-o-w, to 1,874.07).

Commodities: w-o-w, oil prices decreased (Brent, -2.9% to 92.05 USD/b). Gold rose increased w-o-w (+0.8% to 4,593.00 USD/Oz).

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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	M5S	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DIEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year

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