

Israel vs Iran: How the Expanding Shadow War Could Spill into South Asia

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Source: Foundation for Strategic Research

Introduction

The skies over the Middle East burned with unprecedented fury in June 2025, as Israel and Iran plunged into an intense 12-day conflict that shattered any illusion of their long-standing shadow war remaining in the shadows. What began on June 13 with massive Israeli airstrikes on Iran's nuclear and military infrastructure — killing senior scientists and commanders — quickly spiraled into a brutal exchange of missiles. Over 200 Israeli fighter jets pounded more than 100 strategic and residential sites, leaving Iranian cities smoldering, neighborhoods flattened, and families

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mourning.² Iran's swift retaliation with hundreds of ballistic missiles rained terror onto Israeli cities, pushing the conflict to the brink of an all-out regional war.

By the time a fragile US-brokered ceasefire took hold on June 24, the toll was staggering: 610 Iranians killed, including women and children as young as two months old, and nearly 4,750 injured.³ Public infrastructure lay in ruins, and hospitals overflowed with casualties — among them at least 20 healthcare workers who fell victim while trying to save others. The US military's entry on June 22, launching bunker-buster strikes on Iran's key nuclear sites, further escalated the stakes and exposed the global dimensions of this showdown.

Yet the devastation and fury unleashed in this short, ferocious war are unlikely to stay confined to the Middle East. South Asia, bound by religious, political, and economic ties to both Iran and Israel, sits alarmingly close to this new fault line. This commentary examines how the specter of the June 2025 Israel-Iran conflict threatens to engulf South Asia, exploring why the region's fragile stability, deep sectarian rifts, and nuclear-armed rivalries could make it the next arena for confrontation.

Pakistan's Strategic Dilemma: Between Iran, Israel, and Saudi Arabia

Pakistan faces a precarious strategic dilemma as the Israel-Iran conflict of June 2025 escalates, testing its delicate balancing act between powerful regional and global actors. On one hand, Pakistan shares a long border, deep religious ties, and economic cooperation with Iran — a relationship underscored by cross-border trade, energy needs, and Shia communities concentrated in Pakistan's southwest. Any move perceived as aligning with Israel or its allies could trigger unrest among Pakistan's Shia population, which has historically protested against anti-Iranian policies. This was evident during Pakistan's 2016 execution of Shia cleric Nimr al-Nimr in Saudi Arabia, which led to mass demonstrations in Karachi and Quetta against both Riyadh and Islamabad.⁴

²Chughtai, Alia. 2025. "Visualising 12 Days of the Israel-Iran Conflict." Al Jazeera. June 26, 2025. <https://www.aljazeera.com/news/2025/6/26/visualising-12-days-of-the-israel-iran-conflict>.

³Chughtai, Alia. 2025. "Visualising 12 Days of the Israel-Iran Conflict." Al Jazeera.

⁴ BBC. 2016. "Sheikh Nimr Al-Nimr: Saudi Arabia Executes Top Shia Cleric." *BBC News*, January 2, 2016, sec. Middle East. <https://www.bbc.com/news/world-middle-east-35213244>.

On the other hand, Pakistan remains heavily dependent on Sunni Gulf monarchies, particularly Saudi Arabia and the UAE, for financial aid, remittances, and strategic backing. These Gulf states, wary of Iran's growing influence, expect Pakistan's tacit support against Tehran, especially in forums like the Organization of Islamic Cooperation (OIC). During the Yemen conflict, Pakistan's 2015 refusal to send troops in support of Saudi Arabia highlighted the cost of displeasing its Gulf patrons, leading to a temporary strain in ties.⁵ In the current Israel-Iran crisis, Pakistan's perceived tilt toward Iran could risk alienating these crucial allies at a time of economic vulnerability.



Source: The Economic Times

Complicating matters further, Pakistan must consider its historically volatile relationship with Israel. While it has no formal diplomatic ties, backchannel intelligence cooperation occasionally surfaces, such as reports of Pakistani assistance in countering Iranian proxies in the Gulf. Publicly supporting Israel or appearing to side with Western interventions would provoke domestic outrage

⁵Naqvi, Saeed. 2015. "Refusing to Fight in Yemen, Pakistan Rediscovered Its Centre of Gravity." Thecitizen.in. The Citizen - Independent Journalism | Indian News | The Citizen. April 22, 2015. <https://www.thecitizen.in/index.php/en/NewsDetail/index/4/3325/Refusing-To-Fight-In-Yemen-Pakistan-Rediscovered-Its-Centre-Of-Gravity>.

and empower extremist narratives. This complex web of interests forces Islamabad to tread a fine line, seeking neutrality while containing internal sectarian tensions and preserving strategic relationships with both Iran and its Sunni allies — a balancing act that grows more precarious as the conflict intensifies.

India's Ties with Israel: Strategic Gains vs. Regional Risks

India's close relationship with Israel has been a cornerstone of its defense and security policy for over two decades, providing New Delhi with advanced military technology, intelligence cooperation, and joint counterterrorism capabilities. Israel is one of India's largest defense suppliers, with deals including SPYDER air defense systems and Heron drones used along the India-Pakistan and India-China borders.⁶ This partnership has helped modernize India's military and address persistent security threats. The June 2025 Israel-Iran war, however, has put this strategic relationship under new scrutiny, as visible Indian support or silence on Israel's strikes risks inflaming anti-India sentiment among Muslims at home and across the region.

India must also weigh its longstanding energy and connectivity interests with Iran. The Chabahar Port, developed with Indian investment, is a critical gateway for India's trade with Afghanistan and Central Asia, offering a strategic counterbalance to Pakistan's Gwadar Port and China's Belt and Road Initiative.⁷ Tensions with Iran threaten to derail these projects, as seen in 2020 when Tehran briefly sidelined India from Chabahar rail expansion after New Delhi appeared to pivot too closely to Washington's anti-Iran stance. In the current crisis, open support for Israel could jeopardize these efforts, risking India's strategic and economic foothold in a region vital for its energy security and trade ambitions.

⁶Pant, Harsh V. 2023. "Israel's Arms Sales to India: Bedrock of a Strategic Partnership." Orfonline.org. OBSERVER RESEARCH FOUNDATION (ORF). September 14, 2023. <https://www.orfonline.org/research/israel-s-arms-sales-to-india-bedrock-of-a-strategic-partnership>.

⁷Wani, Ayjaz. 2024. "The Chabahar Gambit: India's Play for Influence in Central Asia." Orfonline.org. OBSERVER RESEARCH FOUNDATION (ORF). September 30, 2024. <https://www.orfonline.org/research/the-chabahar-gambit-india-s-play-for-influence-in-central-asia>.

Domestically, the situation poses a sensitive challenge for Prime Minister Modi's government. India's Muslim population, one of the world's largest, includes significant Shia communities in Uttar Pradesh, Bihar, and Kashmir who view Iran as a religious center.⁸ Protests over Israeli actions have already emerged in Shia neighborhoods, echoing demonstrations during past Gaza wars.

Although it may appear to be a challenge, the reality is that the Indian government has historically shown little regard for the concerns of its Muslim population. This indifference is reflected in India's firm support for Israel's actions in Gaza. Consequently, any protests by Indian Muslims are unlikely to cause significant concern for Prime Minister Modi's administration. Instead, there is a genuine risk that Muslim communities could face increased threats to their safety in the current climate.

Afghanistan: A New Haven for Proxy Wars?

Afghanistan's fragile security environment makes it an ideal arena for an expanded Israel-Iran confrontation to play out through proxies. Iran has cultivated deep ties with Shia Hazara militias and elements of the Taliban opposed to Western influence, providing weapons, training, and funding over the years.⁹ In the wake of this year's Israel-Iran war, Tehran could use these networks to strike Israeli or Western interests indirectly, exploiting Afghanistan's porous borders and weak governance to avoid direct confrontation while projecting power across the region.

At the same time, groups like ISIS-K, fiercely anti-Shia and anti-Iranian, could seize the conflict as an opportunity to attack Hazara communities or Iranian-linked targets to assert dominance and attract recruits. Afghanistan's chaotic landscape — marked by Taliban factions competing for control, limited state capacity, and economic desperation — creates fertile ground for foreign intelligence services and militant groups to wage a proxy struggle. Such dynamics threaten to destabilize not only Afghanistan but also spill over into Pakistan's tribal regions and Central Asia,

⁸"Shia Muslims in up Rally against Israel." 2025. NewsBytes. NewsBytes - Your Daily News Digest. 2025. <https://www.newsbytesapp.com/news/india/shia-muslims-in-up-rally-against-israel/tldr>.

⁹Sajjan M. Gohel. 2010. "Iran's Ambiguous Role in Afghanistan – Combating Terrorism Center at West Point." Combating Terrorism Center at West Point. March 3, 2010. <https://ctc.westpoint.edu/irans-ambiguous-role-in-afghanistan/>.

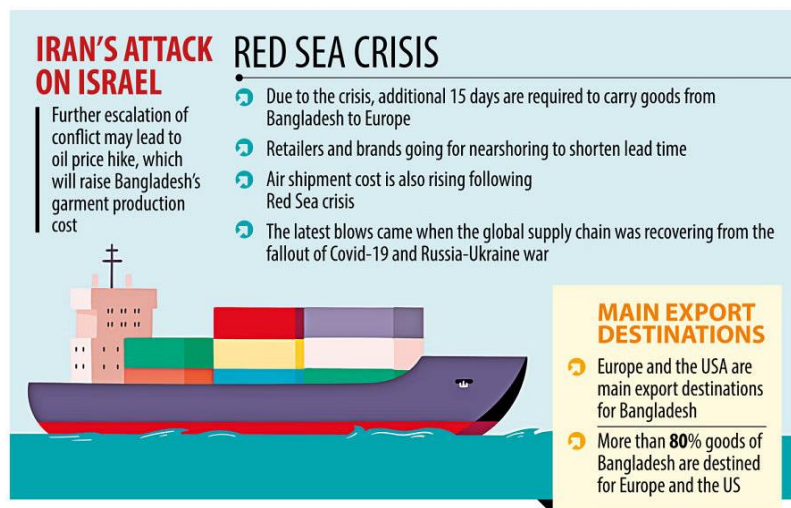
amplifying regional insecurity at a moment when South Asia can least afford new sources of violent instability.

Implications for Bangladesh

What we are witnessing is a dangerous escalation that is pushing the already volatile Middle East into further instability. The recent developments carry a serious risk of the conflict spreading beyond its current scope.

There is genuine concern that what has begun as a regional military action may spiral into a wider confrontation, drawing in other state and non-state actors. This could have far-reaching consequences not only for the region but also for the global community.

The ongoing conflict is already sending immediate shockwaves through the aviation industry. Airlines have begun rerouting flights to circumvent dangerous airspace over conflict zones, a measure that extends journey times, drives up fuel consumption, and forces carriers to raise ticket prices. If hostilities persist or worsen, these complications could escalate beyond temporary disruptions, threatening the long-term stability of international air travel and increasing operational costs for both airlines and passengers.



Source: The Daily Star

Beyond aviation, the global supply chain — which has only just begun recovering from recent crises — faces renewed threats of upheaval. With the Middle East a critical artery for international

trade, insecurity in the region makes many key shipping and overland routes unsafe or impractical. Redirecting cargo along longer, less efficient paths will create delays, increase transportation expenses, and exacerbate existing logistical bottlenecks. These inefficiencies will inevitably push up the prices of essential goods and commodities, placing additional burdens on both consumers and businesses around the world.

The energy sector stands out as particularly exposed to the current turmoil. The Middle East remains a linchpin of global oil and gas production, and any hint of instability there reverberates through global energy markets. Recent days have already seen erratic price swings, with crude and gas costs surging amid fears of supply disruptions. If the conflict deepens, these fluctuations could intensify, raising the price of fuel for households and industries alike. This, in turn, would drive up costs in transportation, manufacturing, and even food production, amplifying inflationary pressures worldwide.

Finally, there are grave implications for labour markets in countries like Bangladesh, which rely heavily on remittances from migrant workers employed in the Gulf. Escalating instability could weaken the economies of Middle Eastern states, reducing their demand for foreign labour. This might translate into pay cuts, layoffs, or outright job losses for migrant workers. The resulting drop in remittance inflows would directly harm the livelihoods of millions of families and undermine the economic stability of labour-exporting nations, compounding the human and financial toll of the conflict far beyond the Middle East.

South Asia's Struggle in the US-China Strategic Contest

The US intervention in the June 2025 Israel-Iran conflict, with precision strikes on Iranian nuclear sites, has heightened tensions with China, which has deepened economic and strategic ties with Tehran in recent years. Beijing condemned Washington's escalation as destabilizing, signaling sharper US-China competition that will reverberate across South Asia. Countries like Pakistan, already closely aligned with China through the China-Pakistan Economic Corridor (CPEC), could tilt further toward Beijing if they perceive US actions as threatening regional stability or antagonizing Muslim-majority states.

Meanwhile, India — a key US partner in the Indo-Pacific strategy — may find itself under pressure to demonstrate solidarity with Washington, risking frictions with Iran and complicating its

balancing act between global powers. Bangladesh, dependent on both US trade and Chinese investment, could face increased diplomatic and economic leverage games from Washington and Beijing as each seeks to secure influence in a region vital to global supply chains and maritime routes.

The Israel-Iran conflict thus risks turning South Asia into a proxy theater for US-China rivalry, forcing regional states into uncomfortable choices between security partnerships and economic dependencies, and potentially destabilizing an already volatile geopolitical landscape if tensions between the two superpowers continue to rise.

The Strait of Hormuz Crisis

The Strait of Hormuz, through which roughly one-fifth of the world's oil passes, has become an immediate flashpoint in the wake of the Israel-Iran conflict. Iranian threats to disrupt shipping in retaliation for Israeli and US strikes have already driven oil prices sharply higher, rattling global markets. For South Asia, where countries like India, Pakistan, and Bangladesh import the vast majority of their energy needs from the Gulf, any closure or prolonged instability in the Strait would have severe economic consequences. Rising fuel costs could trigger inflation, strain foreign exchange reserves, and derail fragile economic recoveries across the region.



Source: Defence Research and Studies

Moreover, disruptions to maritime traffic through the Strait would imperil critical supply chains for everything from food imports to industrial goods, compounding challenges for densely populated South Asian states already grappling with currency pressures and debt vulnerabilities.

Past incidents, such as Iran's 2019 tanker seizures, demonstrate how even short-lived escalations can have outsized economic impacts. In the current crisis, the potential for a prolonged blockade or attacks on tankers has heightened fears that South Asia could face energy shortages, rising public discontent, and political instability — making the Strait of Hormuz not just a Middle Eastern chokepoint, but a lifeline for South Asian stability and growth.

Way Forward

The June 2025 Israel-Iran conflict has starkly revealed how a seemingly distant war can send shockwaves across South Asia's political, economic, and security landscapes. From the streets of Karachi and Lucknow, where sectarian passions are inflamed, to the ports of Chattogram and Mumbai, where fears of supply disruptions loom, the region cannot afford to treat the Middle East crisis as a remote affair. Instead, South Asian governments must recognize that deep economic ties to Gulf energy, sizable Shia populations, and fragile social fabrics make them uniquely vulnerable to the escalating shadow war between Israel and Iran.

The specter of radicalization looms large, with extremist groups exploiting the conflict's humanitarian tragedies to recruit followers and polarize communities. Economic risks are equally daunting: any prolonged instability in the Strait of Hormuz would send fuel prices soaring, weaken currencies, and strain already fragile public finances. Meanwhile, US intervention and rising US-China tensions risk turning South Asia into an arena of proxy competition, forcing states into difficult choices that could destabilize their internal politics and foreign policy coherence.

To navigate these dangers, South Asian governments must act proactively. First, they should strengthen intelligence cooperation across the region to monitor and disrupt extremist networks seeking to exploit sectarian grievances. Bangladesh, India, and Pakistan in particular must bolster cyber surveillance of propaganda channels that can radicalize youth by portraying the Israel-Iran war as a sectarian crusade.

Second, diplomatic efforts should prioritize engagement with both Gulf Arab states and Iran to maintain stable energy supplies and avoid entanglement in their rivalries. South Asia's collective voice, possibly through SAARC or bilateral initiatives, could urge restraint and promote dialogue between Middle Eastern powers, recognizing that regional stability is vital for South Asian economic and security interests.

Third, economic contingency planning is essential. Countries should diversify energy import sources, build strategic fuel reserves, and prepare fiscal buffers to manage potential oil price shocks. Expanding renewable energy investments could also reduce long-term dependence on Gulf oil, improving resilience to Middle Eastern crises.

South Asian states should avoid becoming pawns in great power rivalry. By pursuing balanced diplomacy with both the US and China, and emphasizing regional priorities over external alignments, they can preserve strategic autonomy and reduce the risk of South Asia becoming a proxy battleground in a wider geopolitical confrontation sparked by the Israel-Iran conflict.