

There Is No Globally Effective Risk Management for Iran's Strategy in the Strait of Hormuz

Written by: Farhad Khakzad¹

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“The ideal subject of totalitarian rule is not the convinced Nazi or the convinced Communist, but people for whom the distinction between fact and fiction, true and false, no longer exists.”

— *Hannah Arendt, The Origins of Totalitarianism*

The Strait of Hormuz² is far more than a maritime bottleneck for the transport of crude oil. It is a critical node in the global order, where military security, energy supply, financial architecture, and geopolitical power intersect directly. It is precisely at this intersection that the strategic significance of Iran's conduct becomes apparent. Tehran does not need to close the Strait of Hormuz entirely in order to generate global effects. It is sufficient to render its enduring vulnerability credible. Even the controlled production of insecurity may be enough to exert pressure not only on commodity markets, but also on the political and monetary foundations of the international order.

A crucial point is frequently underestimated: the stability of the global energy system rests not solely on supply and demand, but equally on confidence in the security of trade routes. It is at this juncture that maritime security becomes linked to the predominance of the US dollar. The so-called petrodollar is not merely the product of historical convention or the liquidity of American financial markets. It also rests upon the protective political and military function of the United States. The dollar became the leading currency of the oil trade because the United States, over several decades, was able credibly to present itself as the guarantor of a maritime order within which energy exports could be conducted reliably, insured efficiently, and protected strategically.

Once this basic assumption is undermined, the resulting problem extends far beyond temporary price shocks. If a regional power, employing asymmetric means, is capable of creating persistent insecurity around one of the central arteries of the world economy, then not only is regional stability diminished; the geopolitical premium attached to the dollar also comes under pressure. When market participants settle in dollars, they are not purchasing liquidity alone. Indirectly, they are also purchasing an expectation of order, protection, and predictability. If this connection between monetary order and military order becomes fragile, the logic of the system itself begins to shift.

² For further details, see International Energy Agency (2026a and 2026b).

Such a transformation would not present itself as a sudden collapse. That is precisely what makes it strategically significant. The dominance of the dollar would not end abruptly; rather, it would be gradually eroded. Rising war-risk premiums, increasing insurance costs, longer transit times, and growing security expenditures would initially appear to be familiar burdens of a conventional kind. In reality, however, they would indicate that the existing security architecture is losing its status as the frictionless background condition of global commerce. In such an environment, major importers and exporters acquire stronger incentives to diversify payment mechanisms, contractual structures, and reserve holdings.

This does not imply that the dollar could be displaced in the short term. Its structural power remains considerable. The depth of American capital markets, the central role of US Treasury securities in the global collateral system, the network effects embedded in international payments, and the inertia of long-term energy contracts all secure its primacy for the foreseeable future. That is precisely why the development is strategically important: the central risk lies not in sudden overthrow, but in gradual erosion. International orders rarely lose stability in a single dramatic moment. More often, transformation begins when assumptions once treated as self-evident slowly become contestable.

It is here that the geopolitical core of Iran's strategy becomes visible. Its true objective need not consist in the total disruption of maritime traffic. Strategically, it is enough to raise the costs of American order-maintenance and to expose its limits. Once both allies and rivals begin to distinguish between American financial power and American protective power, the behaviour of the system changes. States begin to hedge more broadly, firms seek to reduce asymmetric dependencies, and insurers and banks recalibrate their models of political risk. In this way, a regional maritime crisis may become the trigger for wider adjustments in currency policy, reserve management, and investment allocation.

For China, such a development would be particularly consequential. Beijing does not need to overthrow the dollar in order to benefit from a relative weakening of its exclusivity. It is sufficient to undermine the perception that the dollar is without alternative. Bilateral arrangements, renminbi clearing mechanisms, currency swaps, and commodity-linked settlement structures all become more attractive to the extent that the security of the existing system appears less assured. The strategic effect, therefore, lies not in immediate replacement, but in the gradual normalisation of alternatives. A further implication, especially in relation to China, is that the strategic significance of a closer Russia-Iran nexus would extend beyond Hormuz alone. In 2025, approximately 20 mb/d of oil transited the Strait of Hormuz, constituting around 25% of global seaborne oil trade. Meanwhile, Russian crude and oil product exports remained at approximately 6.9–7.4 mb/d in late 2025. When considered as a whole, these factors indicate a potential for leverage over oil flows that is approximately equivalent to one third of the global seaborne oil trade. This could have far-reaching adverse consequences for the United States and Europe, which cannot be fully examined in this context.³

The Gulf monarchies would likewise confront an ambivalent situation. In the short term, they would remain more dependent than ever upon American security guarantees. In the longer term, however, they would be compelled to recognise that even a substantial Western military presence cannot fully neutralise the economic consequences of asymmetric insecurity. It is precisely from this recognition that the incentive to diversify would emerge: in foreign policy through cautious multi-alignment, in economic policy through broader partnerships, and in monetary policy through a greater openness to non-dollar settlement arrangements in selected sectors.

³ For further details, see International Energy Agency (2025 and 2026a).

A second effect, often overlooked, must also be considered. Persistent insecurity in Hormuz would necessarily increase the attractiveness of alternative export corridors, including pipelines across Saudi Arabia, Emirati bypass routes, expanded Red Sea links, and Eurasian overland and maritime alternatives. What appears on the surface to be mere infrastructure policy is, in strategic terms, a redistribution of geographical power. The less indispensable Hormuz becomes, the weaker the long-term compulsion to remain tied to the security order that has hitherto reinforced the dollar in this region.

The principal damage to Washington would therefore consist not merely in higher oil prices or a temporary loss of prestige. More serious would be the weakening of confidence in the credibility of American power as a guarantor of order. Under such conditions, the United States would still be able to finance its deficits, but no longer under the same privileged circumstances. Even modest changes in global demand for dollar-denominated assets, slight increases in funding costs, or cautious diversification by central banks could, over time, materially reduce American fiscal flexibility. US power would not disappear, but part of its structural advantage would be diminished.

Since February 28, 2026, United States policy towards Iran has revealed a mode of military coercion that does not adequately account for the systemic significance of the Strait of Hormuz within its strategic calculus. Even substantial damage to Iranian infrastructure would not remove Iran's underlying leverage. Tehran's strategic power lies not only in its material capabilities, but in its capacity to expose and politicise the structural vulnerability of a maritime choke point that remains indispensable to the global economy. A protracted escalation would therefore impose considerable economic costs not only on global markets, but also on the Gulf states most closely tied to the existing security architecture.

This reveals why no globally effective system of risk management currently exists in response to Iran's strategy. Such a framework would have to do far more than rely on military deterrence. It would need to integrate security policy, energy policy, insurance mechanisms, crisis diplomacy, and currency strategy into a coherent whole. It is precisely this coherence that is absent. International responses remain predominantly reactive, fragmented, and short-term in nature. They focus on limiting acute escalation rather than on reducing the underlying strategic vulnerability in a durable manner.

The wider significance of this vulnerability is not merely economic. It is also political and normative. A Western order that presents itself as the guardian of rules, stability, and universal principles cannot afford to appear strategically dependent abroad while applying its own standards selectively. The more maritime insecurity in Hormuz exposes the limits of American protective power, the more it also reveals Europe's constrained sovereignty and the fragility of a wider order that claims universality while functioning through asymmetry, dependency, and exception.

For that reason, Iran's strategy in the Strait of Hormuz cannot be understood as merely regional in scope. Its effectiveness lies not in spectacular interruption, but in the controlled politicisation of vulnerability. What is ultimately at stake is not only the security of energy flows, but the credibility of the order that has long linked military power, monetary predominance, and geopolitical deterrence. If the international community fails to formulate a comprehensive and credible response, the absence of globally effective risk management will remain one of the central strategic vulnerabilities of the present era.

If this historical pattern holds, the United States is unlikely to face sudden collapse; the more probable outcome is a gradual weakening of its global primacy. The issue is not immediate defeat, but the slow emergence of a condition in which greater resources must be expended for diminishing returns in the maintenance of order. In such a scenario, American strategic credibility, fiscal flexibility, and capacity to sustain a wider system of dependence would be progressively weakened, even if its power did not disappear. What the Persian and the Iranian world so often revealed to earlier great powers may therefore confront the United States as well: not sudden destruction, but the gradual and costly erosion of primacy. One may hope that future U.S. presidents reflect more carefully before issuing threats whose practical implications could entail destruction on a catastrophic civilian scale and bring them perilously close to genocidal reasoning.⁴

In the context of these developments, it is analytically coherent to argue that Iran has, since February 28, 2026, begun to emerge as a further major centre of world power.⁵ This outcome has been advanced not despite, but in significant part because of the strategically unconsidered and illegal⁶ actions of the United States and Israel.

⁴ For further details, see Truth Social (2026a and 2026b).

⁵ For further details, see Pape, R.A. (2026a and 2026b).

⁶ For further details, see German Bundestag / European Affairs Division (2026a and 2026b), Deutschlandfunk (2026). This crystal-clear legal assessment also exposes a deeper problem in Germany's conduct: not merely caution, but a reluctance to accept the consequences of principles once they become politically inconvenient. The contradiction is clear. For a German government that continues to present itself as a guardian of international legality, the embarrassment lies in the spectacle of a state whose moral vocabulary appears contingent on the identity of the party responsible for the bombing.

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