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The Impact of the US–Iran Geopolitical Conflict on Global Economic Stability, International Trade, Energy Markets and Supply Chains

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Abstract: **The US–Iran geopolitical confrontation illustrates how a bilateral strategic dispute can generate economic consequences far beyond the states directly involved. This conceptual and literature review examines the channels through which sanctions, military escalation, diplomatic uncertainty and disruption risks in the Persian Gulf may affect global economic stability, international trade, energy markets and supply chains. Drawing on research on economic statecraft, weaponized interdependence and geoeconomic fragmentation, together with institutional analysis from the International Monetary Fund, the U.S. Energy Information Administration and UN Trade and Development, the paper develops an integrated framework linking geopolitical shocks to trade costs, energy-price expectations, financial conditions and production networks. The review indicates that the Strait of Hormuz is a critical transmission point: EIA estimates show that approximately 20.7 million barrels per day of oil transited the strait in 2024, equivalent to around one-fifth of global petroleum-liquids consumption. The effects of confrontation are nevertheless conditional rather than automatic. Their scale depends on the duration and intensity of escalation, the continuity of maritime traffic, spare production and transport capacity, inventories, market expectations, sanctions enforcement and the ability of firms to reroute or substitute inputs. The paper argues that resilience requires diversified sourcing, transparent risk assessment, strategic inventories, maritime cooperation and predictable multilateral rules. It contributes a cross-sector conceptual synthesis and identifies priorities for future empirical research.**

Keywords: **US–Iran relations, Geopolitical risk, Global economic stability, International trade, Energy security, Strait of Hormuz, Supply-chain resilience, Economic sanctions.**

I. INTRODUCTION

Geopolitical conflict has become an important source of uncertainty for an international economy characterized by cross-border production, integrated financial markets and concentrated transport infrastructure. The US–Iran confrontation is particularly consequential because it combines long-running sanctions and diplomatic disputes with the strategic importance of the Persian Gulf. Even where direct trade between the two countries is limited, the conflict can affect third parties through energy prices, shipping insurance, financial restrictions, investment decisions and expectations about the security of maritime routes.

The central economic issue is therefore not confined to the bilateral relationship. It concerns the transmission of geopolitical risk through networks on which firms and governments depend. Economic sanctions may restrict access to markets, finance, technology and shipping services. Military escalation can raise the perceived probability of interruption to oil and liquefied natural gas (LNG) flows. Firms may respond by delaying investment, holding larger inventories, changing suppliers or redesigning logistics. These responses can increase costs even when a physical disruption does not occur.

The Strait of Hormuz gives the issue global significance. The U.S. Energy Information Administration (EIA) reports that oil flows through the strait averaged approximately 20.7 million barrels per day in 2024, representing about 20% of global petroleum-liquids consumption; a substantial share of these flows served Asian markets [1]. The strait also carries a significant proportion of internationally traded LNG. The concentration of flows in a narrow maritime passage means that risk perceptions can influence global commodity markets well beyond the immediate conflict zone.

This paper has three objectives: (1) to synthesize literature explaining how geopolitical confrontation affects macroeconomic stability and trade; (2) to examine energy-market and supply-chain transmission channels associated with US–Iran tensions; and (3) to develop an integrated conceptual framework and policy implications. The paper is a conceptual literature review, not an econometric test of the causal effect of a particular episode. It distinguishes observed structural exposure from conditional scenarios and avoids treating every price movement as a direct consequence of US–Iran relations.

II. CONCEPTUAL FOUNDATIONS AND LITERATURE REVIEW

A. Economic statecraft, sanctions and interdependence

Economic statecraft refers to the use of economic instruments to pursue foreign-policy objectives. Sanctions, restrictions on financial transactions, export controls and limits on access to technology can impose costs on a target state while also affecting firms, banks, shipping operators and third-country intermediaries. Their economic effects depend on the breadth of restrictions, enforcement capacity, availability of substitute suppliers and the extent to which international firms comply beyond the minimum legal requirement. Baldwin [2] emphasizes that economic instruments should be assessed in relation to political objectives and the costs imposed on both targets and senders.

Interdependence can create mutual gains [3]but it can also create leverage where particular states or firms occupy central positions in networks. Farrell and Newman [4] describe this as weaponized interdependence: actors with jurisdiction over or influence within central network nodes may use that position to monitor or restrict transactions. In the US–Iran context, the relevance extends beyond direct bilateral commerce to dollar-linked finance, correspondent banking, insurance, shipping services and access to internationally traded technology. Such network effects can create compliance uncertainty and over-compliance among firms seeking to avoid legal or reputational exposure.

B. Geopolitical fragmentation and global economic stability

The IMF characterizes geoeconomic fragmentation as a policy-driven reversal of international economic integration along strategic or geopolitical lines [5]. Research by Hakobyan, Meleshchuk and Zymek [6] finds that geopolitical distance can act as a barrier to trade and that the costs of fragmentation may be disproportionately large for emerging and developing economies. The IMF's analysis of changing global linkages also identifies shifts in trade and foreign direct investment between geopolitically distant blocs, while noting the growing role of connector economies [7].

For macroeconomic stability, geopolitical shocks operate through several connected variables. Caldara and Iacoviello [8] show that elevated geopolitical risk is associated with lower investment and employment. Higher energy and freight costs can raise headline inflation and production costs. Uncertainty may reduce investment and increase the required return on risky projects. Financial restrictions can affect payment channels, asset liquidity and access to credit. Exchange-rate pressures may arise where energy-importing economies face a deterioration in their terms of trade. These mechanisms can reinforce one another, particularly where public finances, external balances or monetary credibility are already weak.

C. Energy security and the strategic geography of the Gulf

Energy markets are exposed not only to the physical loss of production but also to expectations about future availability. A perceived increase in the probability of disruption can be reflected in futures prices, risk premia, freight rates and insurance costs. The EIA identifies the Strait of Hormuz as one of the world's most important oil chokepoints and notes that alternative pipeline routes can bypass only part of the volume normally transported through it [1]. In 2024, approximately one-fifth of global LNG trade also transited the strait, primarily from Qatar [1].

The energy impact of geopolitical confrontation is consequently not uniform. Oil-importing economies with limited strategic stocks and high transport exposure may be more vulnerable than producers or countries with diversified energy portfolios. The effects on natural gas markets depend on LNG contract structures, available liquefaction capacity, destination flexibility and competition among buyers. A disruption that is brief and anticipated may produce a different outcome from a prolonged interruption that constrains physical supply.

D. Maritime logistics and supply-chain vulnerability

International production depends on predictable transport schedules, port capacity, insurance availability and reliable access to intermediate inputs. UN Trade and Development (UNCTAD) estimates that maritime transport carries over 80% of world merchandise trade by volume and documents how geopolitical and climate-related disruptions at major chokepoints have prompted rerouting, longer voyages and higher costs [9]. Although the Red Sea and Strait of Hormuz are distinct corridors, disruptions in one region can interact with congestion, vessel availability and insurance conditions elsewhere.

Supply-chain resilience literature distinguishes efficiency from robustness. Lean inventories and geographically concentrated sourcing may reduce ordinary operating costs but leave firms exposed to shocks. Diversification, dual sourcing, buffer stocks, supplier visibility and flexible logistics can improve continuity, although they may raise short-term costs. The appropriate balance depends on the criticality of the input, substitution time, concentration of supply and the financial capacity of the firm.

The conceptual synthesis uses three analytical levels. At the international-system level, the review considers the distribution of strategic power, sanctions coalitions and the role of multilateral institutions. At the national level, it considers energy dependence, external financing needs, trade concentration and fiscal capacity. At the firm level, it considers supplier concentration, contractual exposure, inventory policy and logistics flexibility. This multi-level perspective is necessary because the same geopolitical event can create different outcomes for a major energy exporter, a small importing economy and a multinational manufacturer.

The literature is interpreted through a distinction between exposure, sensitivity and adaptive capacity. Exposure describes the extent to which an economy or firm is connected to the affected market or route. Sensitivity describes how strongly costs or operations respond when that connection is disrupted. Adaptive capacity describes the availability and speed of substitutes, buffers and policy responses. A high level of exposure does not automatically imply severe damage where adaptive capacity is strong; conversely, relatively modest exposure can create serious consequences when a critical input has no timely substitute.

III. RESEARCH METHODOLOGY

This study adopts a conceptual and narrative literature-review design. It synthesizes peer-reviewed theoretical work and institutional publications relevant to economic sanctions, geopolitical fragmentation, energy chokepoints, maritime transport and supply-chain resilience. The principal institutional materials include IMF analyses of fragmentation and macro-financial risk, EIA data on oil and LNG transit through the Strait of Hormuz, and UNCTAD reporting on maritime transport and chokepoint disruption [1], [5]–[9].

The review is organized thematically rather than as a systematic review with a preregistered protocol. Sources were selected for their relevance to the four dimensions in the title and for the authority of the publishing institution or scholarly outlet. The analysis follows a mechanism-based approach: it identifies a geopolitical trigger, traces its possible transmission channel, and considers the conditions that amplify or moderate the resulting economic effect. No primary interviews, surveys or original econometric estimates were conducted.

A limitation follows from this design. Institutional statistics describe exposure and historical flows but do not, by themselves, establish the causal effect of any particular escalation. The paper therefore uses conditional language and treats scenarios as analytical possibilities. A future systematic review could specify databases, search strings, inclusion criteria and a formal quality-appraisal procedure; an empirical extension could test the framework using event studies, commodity-price data, shipping indicators and firm-level trade records.

A further consideration is the interaction between inflation expectations and policy space. If energy-related inflation is viewed as temporary, central banks may look through the first-round price effect while monitoring broader expectations. If firms and households begin to anticipate persistent cost increases, wage and price-setting behaviour may become more responsive, complicating monetary policy. At the same time, fiscal measures intended to shield households from energy costs can support demand but may increase budgetary pressure, especially in countries with high public debt or limited access to affordable external finance.

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The financial channel can operate independently of physical trade. Compliance uncertainty may cause financial institutions to reassess counterparties, correspondent relationships and payment routes. Firms with legitimate exposure to the region can encounter longer onboarding processes, requests for additional documentation or higher transaction costs. These frictions can affect working capital and trade finance, especially for smaller exporters. The distinction between formal sanctions and private-sector de-risking is important: the latter may extend beyond the legal scope of restrictions, although it is often driven by perceived enforcement, reputational and operational risks.

IV. TRANSMISSION CHANNELS TO GLOBAL ECONOMIC STABILITY

A. Inflation, output and financial conditions

A geopolitical shock can affect inflation through direct energy costs and indirect input-cost pass-through. Higher crude oil prices influence transport, petrochemicals, agriculture and electricity generation in economies where fossil fuels remain marginal price setters. Higher LNG prices can raise power-generation costs and intensify competition for alternative fuels. If firms pass these costs to consumers, headline inflation rises; if they absorb them, profit margins and investment may weaken. The final macroeconomic effect depends on the duration of the shock, exchange-rate movements, fiscal support and monetary-policy responses.

The output effect is not limited to energy-intensive industries. Manufacturers using plastics, chemicals, fertilizers, metals and long-distance freight may face higher operating costs. A sustained increase in uncertainty can also delay capital expenditure, especially for projects with long payback periods or exposure to sanctioned markets. Financial markets may reprice risk across emerging economies, even where their direct trade exposure to the conflict is modest. This is consistent with IMF analysis that geopolitical tensions can contribute to financial fragmentation and macro-financial vulnerabilities [10].

B. Distributional effects across economies

The consequences are likely to be uneven. Net energy importers may experience worsening trade balances and currency pressure, while hydrocarbon exporters may initially benefit from higher prices. However, exporters can also face security costs, disrupted routes, reduced investment or interruptions to their own production and exports. Low-income countries are especially exposed when higher fuel and fertilizer costs coincide with limited fiscal space and food-import dependence.

Asian economies warrant particular attention because EIA estimates indicate that Asian buyers account for the dominant share of oil and LNG flows through Hormuz [1]. The impact within Asia nevertheless differs by energy mix, strategic stocks, supplier diversification, domestic pricing policies and the ability to substitute pipeline gas, coal, renewables or other fuels. The IMF's fragmentation research further suggests that countries outside major geopolitical blocs may face losses when trade becomes more sensitive to political alignment [6], [7].

Trade effects also depend on product characteristics. Standardized commodities may be redirected more readily than specialized components that require certification, technical compatibility or long supplier-qualification periods. Agricultural inputs and fertilizers can transmit energy and transport shocks into food production, while advanced manufacturing may be vulnerable to a small number of highly specialized suppliers. This sectoral variation is consistent with the IMF finding that geopolitical barriers are not evenly distributed across products and that some sectors are more exposed than others [6].

The adjustment process can create winners and losers. Alternative suppliers may gain market share, and transit economies may attract new logistics activity. Yet these gains should not be equated with an increase in global efficiency. Trade diversion can involve longer routes, additional intermediaries and higher compliance costs. It may also create new concentrations if many firms shift toward the same perceived safe supplier. Policymakers should therefore assess not only whether trade continues, but also whether the new pattern is more diversified and resilient than the previous one.

V. IMPLICATIONS FOR INTERNATIONAL TRADE

Sanctions and counter-sanctions can alter trade patterns through direct prohibitions, licensing requirements, payment restrictions and heightened due diligence. Even when a product is not prohibited, banks, insurers and logistics providers may withdraw from transactions where legal exposure is difficult to assess. This can increase transaction costs and create delays for unrelated trade involving firms, ports or financial intermediaries with perceived links to restricted entities.

A second channel is trade diversion. Buyers may replace suppliers, while exporters seek alternative destinations and intermediaries. Diversion can preserve some trade flows but may reduce efficiency, increase transport distance and create new dependencies. Where substitute suppliers have limited spare capacity, the adjustment can raise prices. Research on fragmentation indicates that geopolitical alignment can influence bilateral trade beyond conventional determinants such as distance and trade agreements [6].

A third channel is uncertainty. Firms may postpone orders, investment or market entry while awaiting clarification of sanctions, export controls or security conditions. The IMF has highlighted that geopolitical tensions can affect trade and investment decisions even before restrictions fully materialize [7]. For small and medium-sized enterprises, fixed compliance costs and limited access to specialist legal advice can make cross-border transactions disproportionately difficult.

The result is not necessarily a complete division of the world economy into fixed blocs. Some countries may act as connectors by maintaining commercial relationships across otherwise distant geopolitical groups. Such routing can support trade continuity, but it can also obscure ultimate ownership, complicate compliance and concentrate new logistics or financial risks. Policymakers should therefore distinguish legitimate diversification from opaque circumvention of applicable sanctions.

Market structure influences the transmission of an energy shock. Oil is traded in a relatively integrated global market, so a disruption affecting one major export corridor can influence benchmark prices even when some consuming countries source crude from elsewhere. LNG markets have become more interconnected as global liquefaction and regasification capacity has expanded, but regional infrastructure constraints and long-term contracts can limit the speed at which cargoes move to the highest-priced destination. Consequently, the same event may affect oil and LNG prices through different timing and intensity channels.

Energy substitution is also constrained by technology and infrastructure. A power system cannot necessarily replace gas with another fuel immediately, and industrial processes may require specific feedstocks or operating conditions. Renewable generation can reduce long-term dependence on imported fossil fuels, but short-term variability, storage availability and grid constraints matter. Strategic petroleum reserves can address some oil supply interruptions but do not directly solve an LNG shortage or a disruption in petrochemical feedstocks. Effective energy security planning therefore requires a portfolio of measures rather than reliance on a single buffer.

VI. ENERGY MARKETS AND THE STRAIT OF HORMUZ

The Strait of Hormuz is the clearest physical transmission channel connecting US–Iran tensions to global energy markets. EIA data indicate that 20.7 million barrels per day of oil moved through the strait in 2024, or around 20% of global petroleum-liquids consumption. EIA also reports that around 84% of crude oil and condensate and 83% of LNG moving through Hormuz in 2024 went to Asian markets [1]. These figures demonstrate exposure; they do not imply that all such flows would cease during a crisis.

Three broad scenarios clarify the relationship. In a low-intensity scenario, diplomatic tensions and limited incidents raise risk premia and insurance costs while shipping continues. In an intermediate scenario, repeated attacks, inspections, temporary restrictions or port disruption cause delays, rerouting and localized supply tightness. In a severe scenario, a prolonged interruption to transit or regional production creates a physical supply shock, with potentially substantial price volatility. The probability and duration of each scenario are uncertain and should not be represented as forecasts.

Price effects depend on both physical balances and expectations. Producers outside the region, inventories, strategic petroleum reserves, pipeline bypass capacity and demand response may cushion a disruption. However, bypass routes cannot necessarily replace all normal transit volumes, and a rapid release of stocks may be limited by operational constraints and policy decisions. Financial markets may also react before any measured decline in shipments, while prices may ease if the expected disruption fails to materialize.

Oil is not the only concern. LNG flows through Hormuz connect Qatar and other regional suppliers with Asian and international buyers. A disruption can tighten spot LNG markets, increase competition for cargoes and raise costs for electricity systems and industrial users. The degree of pass-through depends on contract terms, destination flexibility, storage, alternative pipeline supply and the availability of other LNG exporters.

Insurance and finance are often overlooked components of supply-chain continuity. A vessel may remain technically able to transit a route, yet a change in war-risk coverage, underwriting terms or lender requirements can make the voyage commercially unattractive. Likewise, carriers may introduce surcharges or alter schedules before a formal closure occurs. For importers, the resulting uncertainty complicates delivery commitments, production planning and cash-flow management. These mechanisms illustrate why the economic impact of geopolitical risk may be visible in freight and insurance markets before it appears in customs trade statistics.

Resilience planning should avoid assuming that all suppliers are independent. Several nominally separate suppliers may rely on the same upstream refinery, chemical producer, port, shipping lane or financial institution. Mapping direct suppliers alone can therefore understate common-mode risk. Firms should identify critical nodes and test correlated disruption scenarios, including simultaneous energy-price increases and delays in intermediate inputs. Such analysis can help prioritize investments in alternative qualification, inventory, data sharing and contractual flexibility rather than spreading resources across low-impact risks.

VII. GLOBAL SUPPLY CHAINS AND LOGISTICS

The conflict can affect supply chains through direct security threats and indirect network effects. A rise in maritime risk may lead to higher war-risk insurance premiums, vessel diversions, additional security procedures and changes in port calls. Longer routes increase fuel consumption, crew time, vessel utilization and working-capital requirements. These costs may be passed through to importers or absorbed by carriers, depending on market conditions and contract structures.

Disruption can spread beyond energy cargoes. Petrochemical feedstocks, fertilizers, plastics, industrial gases and other intermediate goods may be affected by energy-price changes or regional transport constraints. Manufacturers operating just-in-time systems may face production stoppages if critical components are delayed. Perishable goods and time-sensitive inputs are particularly vulnerable to longer transit times and uncertainty in arrival schedules.

UNCTAD's analysis of maritime chokepoints shows how rerouting around disrupted corridors can increase distance, cost and emissions, while placing pressure on alternative routes and ports [9]. This evidence supports a broader lesson: resilience cannot be achieved solely by identifying one alternative route. Firms need visibility across suppliers, carriers, ports, insurers and downstream customers. They also need to understand where multiple suppliers depend on the same upstream producer or maritime corridor.

For multinational companies, practical measures include mapping tier-one and critical tier-two suppliers, testing alternative routes, prequalifying substitute materials, reviewing force-majeure and insurance clauses, and defining thresholds for inventory buffers. Governments can support resilience through reliable trade facilitation, port and customs capacity, transparent sanctions guidance and coordination with maritime authorities. Such measures should be risk-based; indiscriminate stockpiling or reshoring can be expensive and may shift rather than eliminate vulnerabilities.

The framework generates several propositions for future testing. First, the effect of geopolitical escalation on energy prices should be stronger when the perceived probability of a physical interruption rises and when spare capacity or inventories are limited. Second, the effect on trade should be greater in sectors with concentrated suppliers, high compliance sensitivity or low substitutability. Third, the relationship between route disruption and firm-level production losses should be moderated by inventory coverage and the availability of alternative transport corridors. Fourth, economies with high energy-import dependence and limited fiscal space should experience larger macroeconomic adjustment costs than economies with diversified energy sources and stronger external buffers.

A fifth proposition concerns information and expectations. Publicly communicated risk assessments, shipping data and sanctions guidance may reduce uncertainty when they are credible and consistent. In contrast, contradictory signals can amplify precautionary behaviour by firms and financial institutions. This suggests that crisis communication is not merely a diplomatic activity; it is also part of the economic infrastructure that supports trade and investment. Future studies could examine whether announcement effects on futures prices, insurance premiums and firm investment differ according to the clarity and credibility of official communication.

The framework should not be interpreted as predicting a uniform or inevitable decline in globalization. Firms and states can respond to geopolitical risk through diversification and regional integration while retaining extensive cross-border commerce. Connector economies may facilitate continued trade between politically distant markets, although their role can introduce new dependencies and regulatory complexity [7]. The relevant question is therefore how the geography and governance of interdependence change, not simply whether interdependence disappears.

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VIII. INTEGRATED CONCEPTUAL FRAMEWORK AND DISCUSSION

The review proposes a four-stage framework. First, geopolitical triggers—including sanctions, military incidents, diplomatic breakdown and threats to maritime navigation—change the perceived probability of disruption. Second, the shock is transmitted through five connected channels: (i) energy supply and price expectations; (ii) financial access and compliance; (iii) trade costs and market access; (iv) maritime logistics and insurance; and (v) business confidence and investment. Third, these channels affect macroeconomic outcomes such as inflation, output, exchange rates, trade balances and financial conditions. Fourth, the magnitude of the outcome is moderated by resilience factors.

The principal moderators are the duration and geographic scope of escalation, the continuity of transit, spare production and transport capacity, strategic inventories, supplier diversity, contract flexibility, substitution possibilities, policy coordination and the credibility of information. The framework emphasizes interaction effects. For example, a rise in oil prices can coincide with higher freight rates and currency depreciation, producing a larger import-cost shock than any one channel alone. Similarly, sanctions uncertainty can reduce the set of available suppliers at the same time that shipping risk makes remaining suppliers more expensive.

This framework also explains why the economic consequences of the US–Iran confrontation should not be reduced to a single oil-price forecast. A stable flow of tankers may coexist with elevated insurance costs and delayed investment. Conversely, a temporary price spike may be absorbed without lasting macroeconomic damage if supply routes remain open, inventories are adequate and expectations normalize. The analytical distinction between exposure, realized disruption and adjustment capacity is therefore essential.

The conceptual contribution of this paper is to connect geopolitical-risk literature with trade fragmentation, energy chokepoints and operational supply-chain resilience in one model. It suggests that the most consequential effects may arise from cumulative uncertainty and cross-channel amplification rather than from one isolated event. It also highlights the need to analyze third-country exposure, particularly among energy-importing and trade-dependent economies.

International institutions can contribute by improving data transparency and coordination. Timely information on maritime movements, port congestion, commodity inventories and trade restrictions can help governments and businesses distinguish actual supply interruptions from market rumours. Multilateral dialogue can also reduce the risk that unilateral measures generate unintended spillovers for food, medicine and other essential goods. Where sanctions are in force, clear public guidance and workable humanitarian channels can help reduce unnecessary disruption to legitimate activity.

For emerging and developing economies, policy priorities include strengthening foreign-exchange buffers, improving energy-efficiency standards, broadening access to trade finance and investing in port and customs modernization. Regional cooperation can support shared storage, cross-border electricity links and emergency logistics arrangements. However, regionalization should complement, rather than replace, diversified global sourcing. Overdependence on a single regional supplier or route may reproduce the same concentration risk at a different geographic scale.

At the corporate level, board oversight should treat geopolitical risk as an enterprise-wide issue rather than a narrow compliance function. Procurement, treasury, legal, logistics, operations and sustainability teams need shared scenarios and escalation procedures. Supplier contracts can specify notification obligations, alternative delivery points, allocation of extraordinary freight costs and procedures for regulatory changes. Periodic exercises should test whether the company can identify affected shipments, trace critical inputs and communicate with customers under compressed timelines.

IX. POLICY AND MANAGERIAL IMPLICATIONS

For governments, the first priority is crisis communication and diplomatic de-escalation. Clear, timely information about maritime safety, sanctions scope and emergency measures can reduce avoidable uncertainty. Governments should coordinate with international partners on freedom of navigation, incident reporting and humanitarian exemptions, while ensuring that sanctions guidance is sufficiently precise for legitimate firms and financial institutions to comply.

Second, energy-importing states should assess the adequacy and operational accessibility of strategic stocks, diversify supply sources where economically feasible, and accelerate investments in energy efficiency and lower-carbon domestic generation. Diversification should be evaluated by actual concentration of upstream supply and transport routes rather than by the number of commercial counterparties alone.

Third, trade and industry agencies should identify critical inputs for which substitution is slow or supply is geographically concentrated. Public-private stress tests can examine the consequences of a short interruption, a prolonged delay and a simultaneous energy-price shock. Customs cooperation, port resilience, digital documentation and transparent licensing procedures can reduce delays during periods of heightened risk.

For firms, risk management should combine geopolitical monitoring with operational data. Companies should maintain updated supplier maps, review exposure to sanctioned counterparties, test alternate shipping arrangements, and assess whether contracts allocate additional freight, insurance and delay costs clearly. Resilience investments should be proportionate to the criticality of the input and the cost of interruption; a universal shift to local sourcing is neither feasible nor necessarily efficient.

X. LIMITATIONS AND FUTURE RESEARCH

The present review has limitations that should guide interpretation. First, it is a narrative conceptual synthesis and does not claim exhaustive coverage of every publication on sanctions, Gulf security, energy economics or supply-chain management. Second, the available institutional indicators measure trade and energy exposure, but they do not isolate the causal contribution of US–Iran tensions from other concurrent influences, including decisions by oil producers, global demand conditions, weather, shipping disruptions elsewhere and changes in monetary policy. Third, the effects of a geopolitical event depend on the scenario and time horizon; short-run price responses may differ from long-run changes in investment, trade geography and energy infrastructure.

Future empirical work could address these limitations through complementary methods. Event studies could examine changes in crude oil, LNG, freight, insurance and exchange-rate indicators around clearly defined diplomatic or security events. Difference-in-differences designs could compare firms or countries with different levels of exposure to the Gulf corridor, provided that pre-event trends and concurrent shocks are carefully assessed. Network analysis could identify whether apparent supplier diversification reduces common exposure to ports, upstream producers and financial intermediaries. Firm-level interviews or surveys could further establish how managers interpret sanctions uncertainty and choose between inventory, substitution and rerouting strategies.

Researchers should also distinguish immediate market reactions from persistent structural adjustment. A temporary rise in futures prices does not necessarily imply a lasting increase in consumer inflation, just as a temporary rerouting does not necessarily indicate permanent trade fragmentation. Longitudinal data are needed to determine whether firms retain new suppliers after a crisis, whether connector economies become enduring trade hubs, and whether energy diversification reduces vulnerability over time. Comparative research across different geopolitical chokepoints would help establish which findings are specific to the Persian Gulf and which apply more broadly to globalized production networks.

XI. CONCLUSION

The US–Iran geopolitical confrontation demonstrates how a regional strategic dispute can affect the wider international economy through interconnected financial, trade, energy and logistics networks. The Strait of Hormuz is a critical point of exposure because a substantial share of globally consumed oil and traded LNG passes through it. Sanctions and financial restrictions can also influence firms and third-country intermediaries, while uncertainty may delay investment and reshape trade relationships even without a complete physical interruption.

The review finds that the economic impact is conditional. Its scale depends on the intensity and duration of escalation, actual maritime flows, available alternatives, inventories, market expectations, policy responses and the resilience of firms and states. The most serious risks arise when multiple channels reinforce one another: energy-price increases coincide with higher freight and insurance costs, restricted financial access and limited supplier substitution. These pressures can contribute to inflation, weaken external balances and disrupt production, with particularly serious consequences for vulnerable energy-importing economies.

A resilient response requires more than short-term emergency measures. Governments should support de-escalation, predictable rules, transparent sanctions implementation, strategic energy planning and secure maritime corridors. Firms should improve supplier visibility, diversify genuinely critical inputs and prepare tested logistics alternatives. Future research should empirically examine the framework using high-frequency energy prices, shipping and insurance data, trade flows, sanctions events and firm-level production indicators. Such work can distinguish market expectations from realized disruptions and identify which resilience policies provide the greatest benefit. In sum, geopolitical stability and economic resilience are mutually reinforcing foundations of sustainable global trade.

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