Center for Management Science Research
ISSN: 3006-5291 3006-5283 Volume 4, Issue 5, 2026

GLOBAL TRADE AT RISK: ASSESSING THE IMPACT OF THE U.S.–IRAN CONFLICT

Dr. Ali Nawaz Khan

Assistant Professor of Law, University Law College, University of the Punjab, Lahore

alinawaz.law@pu.edu.pk

DOI: https://doi.org/10.5281/zenodo.21237474

Keywords
U.S.-Iran conflict, economic sanctions, instability in international trade, global trade stability, international trade, oil market volatility, energy security, disruption of supply chains, Strait of Hormuz, maritime security.

Article History
Received: 24 March 2026
Accepted: 06 May 2026
Published: 21 May 2026

Corresponding Author: *
Dr. Ali Nawaz Khan

Abstract

The U.S.-Iranian conflict has become one of the most significant geopolitical conflicts affecting global trade, energy markets, and international economic relations. The current research aimed to investigate the impact of the conflict on the stability of global trade, particularly through economic sanctions, oil market volatility, maritime security, and, above all, supply chain disruptions. Secondary data sources, such as academic literature, policy reports, international trade organizations, and economic analyses, were collected using a qualitative analytical research design. The study investigated the legal consequences of U.S. sanctions on Iran, as well as their effects on international trade and commerce. Results indicated that the conflict's effect in reducing oil market instability was the most significant, with an index rating of 8. 8.9 on a scale of 0 to 10, followed by maritime security threats (index rating of 8.3. 3), and finally trade uncertainties (index rating of 8.1. 1). Economic sanctions had significant impacts on Iran's economy, including loss of oil revenue (9.1. 1) and restrictions in the banking sector (8. 8.8), leading to reduced foreign investment, currency devaluation, and inflation. The analysis also revealed a strong association between geopolitical crises and the oil market volatility index, which rose from 48 to 96 as the crisis escalated. Shipping safety in the Strait of Hormuz led to higher shipping costs, insurance premiums, and logistical delays, ultimately affecting the efficiency of global shipping. The research results reveal that the U.S.-Iran conflict is a multifaceted issue that could affect the stability of global commerce. The regional repercussions of the conflict are compounded by concerns about investor confidence, international energy security, and effective multilateral energy governance. The findings underscore the importance of diplomatic engagement, increased multilateral cooperation, and greater use of multilateral tools to mitigate geopolitical risks and make the global trading system more resilient.

INTRODUCTION

U.S.-Iran rivalry is one of the oldest geopolitical rivalries in modern international politics. The source of the tension dates back to the 1979 Iranian Revolution, which ended the Western-backed Shah regime and ushered in the Islamic Republic under Ayatollah Khomeini (Hu et al., 2021). The ties between the two nations have been adversarial based on the ideological differences, regional power politics, and nuclear ambitions of Iran over the years. Long-time nuclear foe, the United States accused Iran of sponsoring militants and destabilizing the Middle East, while Iran has been chiding the United States for military presence and intervention in the Middle East (Estrada et al., 2020). The clash between the two sides escalated even more since the United States' pullout from the Joint Comprehensive Plan of Action (JCPOA) in 2018 and the re-imposition of strict economic sanctions on Iran. The sanctions focused on Iran's banking, energy and shipping industries, and had a major impact on the country's economy and international trade. By contrast, Iran's neighbor Pakistan and Iran itself proactively pursued regional and maritime policies, especially in the Persian Gulf and the Strait of Hormuz (Ochim & Hassan, 2023). The ongoing military standoffs, naval skirmishes, and trade sanctions negotiations have necessitated the U.S.-Iran conflict becoming a global issue, given its impact on international security, energy supplies, and economic stability.

Importance of Global Trade Stability

The stability of global trade is an integral part of the modern international economic system, ensuring the uninterrupted flow of goods, services, energy resources, and financial transactions between states. The globalized world is highly reliant on global supply chains, sea lanes, and market stability to ensure sustainable economic growth and development (Meyer et al., 2023). Even a slight disruption in trade can lead to inflation, supply shortages, higher transportation costs, and financial uncertainty in both developed and developing economies. Hence, geopolitical tensions, which could disrupt strategic trade routes, are a great risk to international economic security. The U.S.-Iran issue is a major issue due to its impact on world energy transportation and maritime security. Persian Gulf tensions generally lead to oil market uncertainty and high volatility in shipping insurance and crude oil prices. It is an instability that affects global industrial production, energy security, and consumer prices (Vivoda et al., 2024). In addition, problems in strategic waterways such as the Strait of Hormuz could create investor uncertainty and impede global trade. Geopolitical peace and stability in international law and cooperative security are linked to the stability of global trade. In this regard, stable trade relations are essential in the context of economic development and stability in international political situations, as well as to prevent the risk of a lack of stability caused by the danger of generalizing economic crises related to regional conflicts and sanctions policies (Mahmood, Baig, et al., 2026).

Strategic Importance of the Strait of Hormuz

The Strait of Hormuz is among the most strategic chokepoints in the world, serving as the primary transit point for oil and gas shipped from the Persian Gulf. Located between Iran and Oman, the Strait connects the Persian Gulf with the Gulf of Oman and the Arabian Sea (Healey & Jervis, 2020). This narrow waterway is essential to global energy security and international trade: a significant share of global crude oil and LNG trade goes through it daily. The Strait is critical for the exportation of energy resources, especially to Asia, Europe, and other parts of the world, to countries like Saudi Arabia, Iraq, Kuwait, Qatar, and the United Arab Emirates. The Strait of Hormuz has been a flash point for U.S.-Iran tensions due to its strategic significance. Iran has also threatened to throttle or impede shipping lanes in response to U.S. and allied pressure and economic sanctions (Goulard, 2020). Any halt to shipping can cause significant increases in oil prices, freight and insurance costs, and global financial market instability. The recent crises have shown how the conflicts in the region can quickly impact the world's supply chains and energy supply. Thus, the security of the Strait of Hormuz is not just a regional matter but also one that would affect overall economic stability, the law of the sea, and international relations (Kasuri, Mahmood, et al., 2024).

U.S. Sanctions Against Iran

As part of its efforts to exert pressure on the Iranian government regarding its nuclear ambitions, regional power and security policies, the United States has implemented far-reaching economic sanctions against Iran (Akadiri & Özkan, 2026). They have been developing over the past few decades and focus on key industries in Iran, such as oil exports, banking, shipping, and foreign investment. After the United States abandoned the Joint Comprehensive Plan of Action (JCPOA) in 2018 and implemented 11 new rounds of "maximum pressure" to curb Iran's oil revenues and economic power, the sanctions have grown in significance. Sanctions work in two ways in the U.S.: primary and secondary. Primary sanctions forbid American companies and citizens from doing business with Iran, and secondary sanctions punish foreign companies and states that do business with sanctioned companies and individuals in Iran. The extraterritorial nature of the sanctions has sparked significant debate in international law and the governance of global trade, as they affect third-party states and multinational companies (Pokorny, 2026). Unilateral sanctions have been criticized as contrary to multilateral trading principles and as failing to respect the spirit of WTO rules. Moreover, the sanctions have helped create instability in the oil market by curtailing Iran's energy exports and fueling geopolitical tensions in the Persian Gulf. Countries in the region and beyond have also been affected by Iran's measures to diversify its trade routes, including with Russia and China, which have altered the regional and international economic environment (Kasuri, Abbas, et al., 2024).

The U.S.-Iran conflict has emerged as a significant geopolitical issue with repercussions that extend beyond Iran and the U.S., affecting the stability of global trade, energy security, and international economic governance. The escalating tensions between the two countries, particularly with the recent re-enforcement of U.S. sanctions against Iran, have given global oil market uncertainty a further boost, and the possibility of disruption to the strategic oil route through the Strait of Hormuz a boost as well. A significant part of the world's energy supply travels through this area, meaning that any military posturing, sanctions policies, or maritime insecurity in the region has a direct impact on global trade, pricing, and economic confidence. Unilateral sanctions and geopolitical rivalries continue to pose risks to the principles of free and stable trade in the global economy, despite international trade laws and multilateral institutions like the World Trade Organization (WTO). The U.S. sanctions have raised concerns about sovereignty, international law, and economic coercion regarding the legality of imposing sanctions on other countries and corporations (Khan, Ahmad, & Munir, 2020). Furthermore, the volatility of oil prices driven by regional instability negatively affects both developed and developing countries by creating inflationary pressures and disrupting supply chains. Hence, the need to critically analyze the impact of the U.S.–Iran conflict on the stability of world trade, maritime security, and international trade governance within the current international economic system.

The importance of this study lies in its examination of the relationship between geopolitical conflict and global economic stability, using the US-Iran conflict as a case study. Current regional conflicts are not solely political; they have a worldwide impact on the global economy, energy markets, transportation, and financial stability. The study contributes to the understanding of how maritime insecurity and geopolitical tensions, as well as potential sanctions policies, could affect global trade flows and trust in multilateral economic institutions. The academic value of the research lies in its integration of international relations, trade law, political economy, and energy security. Presents a comprehensive analysis of the effects of unilateral action and of strategic competition on the functioning of the trading system. Furthermore, the study contributes to the literature by examining both legal and economic aspects through the lens of oil price fluctuations and disruptions to maritime trade. The study is also of interest to policymakers, economists, lawyers, and international organizations. It draws attention to the challenges posed to international institutions like the WTO in making unilateral decisions on economic measures and maintaining trade stability amid geopolitical crises. Moreover, the results can help governments and international actors develop more effective diplomatic and economic policies by minimizing trade vulnerabilities while securing maritime security. The study also explores how the U.S.-

Iranian conflict impacts the world trade governance regime and the future of international economic cooperation more generally.

Literature Review

Most of the literature on relations between the U.S. and Iran focuses on developments in political hostility, ideological differences, and regional strategic competition. This relationship has been strained since the 1953 U.S. Central Intelligence Agency coup against the Iranian prime minister, Mohammad Mossadegh, which helped make the United States more influential in Iran during the reign of Shah Mohammad Reza Pahlavi (Fattah, 2026). But the ties have been strained greatly since the 1979 Iranian Revolution, when Iran became an Islamic Republic, and the hostage crisis of American diplomats in Tehran (Siddiqui, 2026). However, since then, the relationship has been largely confrontational due to disagreements over regional influence, nuclear development, and security concerns.

A few studies have highlighted the role of Iran's nuclear program and the Joint Comprehensive Plan of Action (JCPOA) in shaping current relations. According to researchers, the U.S. withdrawal from the JCPOA in 2018 has deepened tensions and instability in the Persian Gulf region. Some studies also identify naval clashes, economic sanctions, and proxy wars as key drivers of geopolitical competition (Ahmed & Bashir, 2026). Moreover, researchers have examined the bilateral dimension of the conflict and its impact on international security, maritime security, and the global energy market. These studies indicate that the U.S.-Iranian conflict remains a key factor in global economic governance and international relations today (Khan, Munir, & Ahmed, 2020).

The literature on international sanctions focuses on sanctions as instruments of economic coercion to shape states' political behavior. The efficacy, legality, and humanitarian impact of sanctions imposed by powerful states and international bodies have been widely debated (Yahya et al., 2026). Regarding Iran, scholars believe that U.S. sanctions were intended to "challenge" Iran's nuclear program, influence, and policies. Such sanctions can be divided into primary sanctions, which limit direct U.S. interaction with Iran, and secondary sanctions, which punish foreign companies that enter business relationships with Iranian institutions.

Numerous experts have argued that sanctions have had a detrimental impact on Iran's economy by reducing oil exports, curbing foreign investment, and raising inflation and unemployment. Meanwhile, opponents contend that sanctions have disproportionately affected civilians. The issue of unilateral sanctions is also addressed in the literature, as they are controversial due to their extraterritorial application to third-party countries and multinational companies (Said & Boumatar, 2026). The impact of sanctions on the global shift in trade networks has also been examined, with attention to the pressure they place on targeted states to pursue alternative economic relationships. Modern research indicates that sanctions can trigger the development of alternative trade systems in the absence of Western financial systems (Mahmood et al., 2025). Overall, the literature portrays sanctions as intricate geopolitical instruments with economic and political implications for the international system.

International literature on World Trade Organization (WTO) rules and international trade law primarily addresses the principles of non-discrimination, free trade, and multilateral economic cooperation (Mahmood, Ali, et al., 2026). The focus is on how WTO agreements are intended to make trade fairer and more predictable by preventing unilateral trade restrictions and discriminatory economic measures. Central issues such as MFN (most-favored-nation) and national treatment are designed to ensure equal treatment for trading partners (Ulrichsen & Krane, 2026). However, researchers argue that these principles are threatened by geopolitical conflicts and national security issues.

The legal community is divided on whether unilateral sanctions, such as U.S. sanctions against Iran, are compatible with WTO obligations. Some researchers argue that the extensive list of sanctions and trade restrictions contradicts WTO rules by disrupting free trade and affecting third-party states. Others emphasize that under Article XXI of the 1947 General Agreement on Tariffs and Trade (GATT), countries may impose trade restrictions for national security needs (Patsiaouras et al., 2026). The scope of this security exception remains debated, as powerful countries could apply it as a catch-all for their own unilateral economic actions. The literature also discusses legal uncertainty for multinational corporations and reduced trust in multilateral trade governance resulting from secondary sanctions. In general, researchers find that the use of sanctions creates major problems for the effectiveness and authority of international trade law and the WTO system (Munir et al., 2024).

Maritime Security and Global Supply Chains

Secure sea routes are recognized as a critical issue in the global security landscape, particularly for energy transport and international trade, as discussed in the literature on maritime security and global supply chains. Maritime networks are critical to global trade, as a large share of world trade, including oil and gas, travels by sea (Contractor et al., 2026). Maritime chokepoints are regarded as highly sensitive areas where geopolitical tensions in the region can disrupt trade flows and undermine global economic stability. In these areas, any security incident, no matter how small, can result in higher shipping costs, higher insurance premiums, and supply chain delays, scientists say.

The escalating ambiguity surrounding international shipping markets resulting from the U.S.-Iran conflict is the subject matter of research. The subject of the research is the new ambiguity in international shipping markets, caused by increased military tensions, naval confrontations, and the seizure of tankers in the Persian Gulf region between the U.S. and Iran (Mahmood et al.). Iran's previous threats to close the offshore Strait of Hormuz, as a result of economic sanctions and military pressure, have also been addressed in the past. Scholars say the threat of the Strait of Malacca being blocked could have a significant impact on global oil prices and industrial output – many economies around the world depend on Gulf energy supplies (Bibi, 2026). In addition, the researchers have looked at how trade routes become vulnerable during geopolitical crises due to increased transportation costs and logistical uncertainty. The body of literature as a whole shows an intimate link among maritime security, economic globalization, trade security, and international energy security in the modern global economy.

Oil Markets and Energy Security

The importance of energy resources in ensuring economic growth and international political stability is highlighted in the literature on oil markets and energy security. Although oil prices are largely determined by geopolitical unrest, oil remains one of the most strategically significant commodities in the global economy because the production and transportation of goods across industries and trade rely heavily on energy security. The Middle East holds a significant share of the world's oil reserves, and political events in the region can fuel volatility in oil markets (Sweidan & Elbahnasawy, 2026). The U.S.-Iran conflict is a key issue that could affect oil price stability because Iran is strategically positioned and a major player in the Persian Gulf region, researchers note.

Current research shows that sanctions against Iran have affected the country's oil exports and the world's energy supply chains, leading to fluctuations in crude oil prices. Scholars also argue that uncertainty over the Strait of Hormuz further fuels investor fears and leads to market volatility, given that a significant share of the world's oil trade flows through the Strait (Khan et al., 2026). Geopolitical tensions negatively affect both developed and developing economies, driving inflation and raising transportation and industrial productivity costs as oil prices rise. Repeated energy crises also prompt countries to diversify their energy sources, build strategic energy reserves, and invest in renewable energy alternatives (Arbi et al., 2026). As a result, energy security has been a major policy issue in international foreign and economic policy discussions.

The current literature on the U.S.-Iran conflict tends to emphasize a single aspect, such as geopolitical rivalry, nuclear diplomacy, economic sanctions, or regional security issues. Numerous studies examine the success of sanctions in shaping Iran's political actions, while others focus on the military and strategic aspects of tensions in the Persian Gulf. Likewise, a few scholars have investigated the instability and volatility in oil markets and the effect of regional wars on global energy prices. There is, however, limited research that integrates legal, economic, and maritime approaches in a single analysis.

Moreover, the literature is generally treated from either a political or an economic perspective, without critically analyzing its effects on international trade law and global trade governance. The World Trade Organization (WTO) and the legal aspects of unilateral sanctions in the U.S.-Iranian conflicts have not been sufficiently explored. There is also a lack of up-to-date analysis in the existing literature of the influence of the latest geopolitical events on global supply chains and maritime security in the Strait of Hormuz. Moreover, there have been few studies on the conflict's impact on the evolution of the international economic system and on the formation of new geopolitical alliances. Hence, this study aims to bridge the gaps by examining the legal, trade governance, maritime security, and economic implications of the U.S.-Iran conflict and by providing a comprehensive assessment of its impact on global trade stability.

Theoretical Foundations of Economic Sanctions

Economic Statecraft Theory

Economic Statecraft Theory is the concept that states employ economic measures (such as sanctions, trade restrictions, and financial measures) to advance foreign policy goals. Some claim that powerful states have demonstrated the ability to use economic pressure to shape the political behavior of rival states without resorting to direct military action (Kumar, 2026). Economic sanctions are an important element of U.S. foreign policy meant to reduce Iran's economic power and curtail its strategic choices in the context of the U.S.-Iran conflict. The theory proposes that economic dependence and reliance on global financial systems can serve as tools of political coercion in international relations.

Realist Perspective on Sanctions

Realists see sanctions as devices of power politics in an anarchic international system. Realist scholars argue that states are more interested in their national interests, security, and strategic superiority than in international cooperation. One perspective is that the purpose of imposing sanctions is to weaken rivals, preserve regional influence, and ensure national security interests (Sancar et al., 2026). For the United States and Iran, sanctions are seen as a means of influencing the Middle East as part of a larger geopolitical struggle. Realists claim that sanctions can exacerbate competition rather than foster cooperation, as the targeted state can respond with resistance, alliances, and counterstrategies.

Liberal Institutionalism and Trade Governance

In the field of liberal institutionalism, the importance of international institutions, international legal frameworks, and international economic interdependence in fostering international stability and cooperation is underlined. The scholars supporting this view have suggested that unilateral trade restrictions and sanctions can adversely affect multilateral institutions such as the World Trade Organization by challenging trade norms and cooperative mechanisms (Amin et al., 2026). The theory emphasizes the importance of international law, diplomacy, and collective decision-making to achieve peaceful solutions to conflict. In the context of the U.S.-Iran conflict, liberal institutionalism is concerned about the effects of unilateral action on the governance of global trade, international legal order, and economic cooperation among states (Kebede et al., 2026).

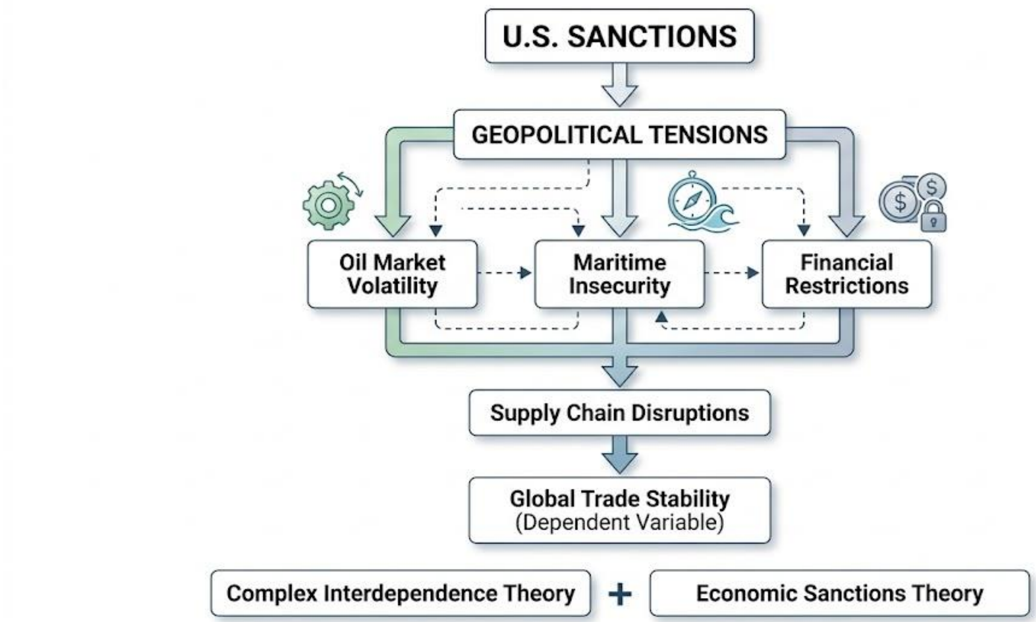

Figure 1: Theoretical Framework Diagram

Research Methodology

Research Design

The study employed a qualitative and analytical research design to investigate the relationship between the U.S.-Iran conflict and global trade stability. This design was appropriate because it enabled the issue to be examined as comprehensively as possible across the political, legal, and economic dimensions. The historical context of the conflict, sanctions policy, maritime tensions, and the consequences for trade were explained using a descriptive approach. The study also employed an interpretive analysis framework to assess the consequences of sanctions and geopolitical turmoil on international trade governance, oil markets, and maritime security in global economic relations.

Sources of Data

The study was based primarily on secondary data obtained from academic, legal, and institutional publications. Scholarly journal articles and books, research reports, and policy papers on international sanctions, global trade law, and maritime security were consulted. Official documents from various organizations, including the World Trade Organization, the International Monetary Fund, the United Nations, and the International Energy Agency, were also used. Further, data on oil prices, trade flows, and the effects of sanctions were gathered from publicly accessible international databases and reports, as well as from other statistical sources. Since secondary data was used, coverage of the legal, political, and economic perspectives was very broad.

Policy and Legal Analysis

The research tools used in this study were policy and legal analysis, which aimed to analyze the legality and consequences of U.S. sanctions against Iran. The international legal frameworks and principles relevant to the discussion were analyzed, including international legal principles and WTO rules. Analysis centered on the impact of the sanctions on international economic cooperation and global trade governance. Policy documents, treaties, and legal interpretations were carefully examined to get a sense of important debates concerning sovereignty, trade restrictions, and extraterritorial sanctions. The latter made the students more aware of the law governing the dispute between Iran and the

United States and of trade relations with the country.

Economic Analysis

The study focused on the U.S.-Iran conflict and its potential impact on global energy security, stability, and oil markets, with an economic analytical approach. This study examined economic fluctuations resulting from oil price changes, disruptions to maritime trade routes, and shifts in international trade chains. This was done by reviewing available reports and statistical data from international institutions and comparing the findings with these sources. The importance of the Strait of Hormuz to global energy transport was given special attention. The analysis helped clarify the political implications of the Persian Gulf crisis for international trade and transport costs, as well as its impact on the broader economic climate in international markets.

Analytical Framework

The study used an analytical approach to examine the relationships among geopolitical conflict, economic sanctions, and the stability of world trade. The concepts discussed the effects of political tensions between the United States and Iran on sanctions enforcement, maritime insecurity, and international trade systems. The study results have been analyzed through the lenses of Economic Statecraft Theory, realist views, and liberal institutionalist views. These theoretical frameworks helped provide the rationale for the adoption of sanctions policies and for understanding how this affects international governance. In addition, the framework was also given legal analysis and economic consequences to provide a comprehensive picture of the uncertainty in international trade.

Limitations of the Study

There were some limitations in this study's process. The information and data that had been published, as well as the institutional reports, were the main sources of the research, which meant that the findings were dependent on the availability and reliability of such data and reports. However, geopolitical insecurity in the Middle East also made it difficult to predict the future accurately. Furthermore, some economic and political information was not accessible due to confidentiality and national security concerns. The study mainly covered the legal and economic aspects of the U.S-Iran conflict and did not provide a detailed military and strategic analysis. Despite these constraints, the study conducted a thorough analysis of the implications of trade.

Results and Findings

The results of this research showed that the Iran-U.S. conflict significantly affected maritime security, global energy markets, and trade. Withdrawal from the Joint Comprehensive Plan of Action (JCPOA), leading to the re-imposition of U.S. economic sanctions, further exacerbated economic pressure on Iran and affected the economic relations in the region. The analysis revealed that sanctions on Iran's oil exports and their effects on the banking system and shipping industry had broader implications beyond Iran, affecting international energy prices, shipping costs, and confidence in trade. Other factors that heightened market tensions were geopolitical uncertainty in the Persian Gulf and numerous security incidents near the Strait of Hormuz. It also revealed that unilateral measures led to legal and institutional issues within the WTO and to doubts about multilateral trade governance. Volatility in international supply chains and increased economic vulnerability of oil-importing countries resulted from maritime insecurity and disruption of oil exports. On the whole, the conflict became a major geopolitical player, influencing the stability of international trade and the world's economic governance.

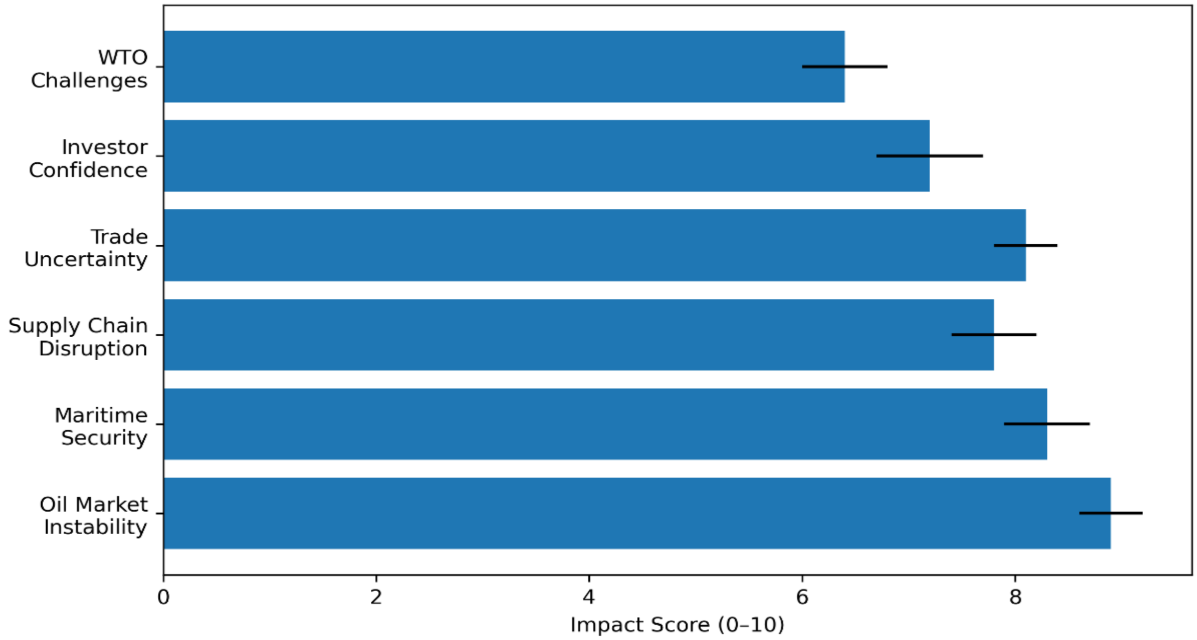

Figure 2 Impact of the U.S.–Iran Conflict on Global Trade Stability

Legal Evaluation of U.S. Sanctions against Iran

The analysis revealed that the U.S. sanctions on Iran have generated significant legal confusion and a messy process of multilateral economic controls. The main reason for the imposition of sanctions by the United States was national security grounds due to Iran's nuclear program and regional influence. The results, however, indicated that many legal scholars and international observers doubted the compatibility of unilateral and secondary sanctions with WTO principles, including non-discrimination and free trade. Particularly, secondary sanctions targeted third-party countries, financial institutions, and multinational corporations that were conducting lawful economic activities with Iran.

Table 1: Legal Assessment of U.S. Sanctions Against Iran

Legal Dimension	Findings	Implications
National Security Justification	Sanctions justified under GATT Article XXI	Expanded use of security exceptions in trade policy
WTO Compatibility	Questions regarding compliance with WTO non-discrimination principles	Potential conflict with the rules-based trade system
Secondary Sanctions	Applied to third-party firms and countries trading with Iran	Extraterritorial effects on global commerce
Multilateral Governance	Many measures were imposed outside UN frameworks	Reduced confidence in multilateral institutions
International Trade Law	Created legal uncertainty for multinational corporations	Higher compliance and transaction costs

The study also revealed that the United States was a big user of Article XXI of the General Agreement on Tariffs and Trade (GATT), known as the national security exception, to justify trade restrictions under the sanctions. However, this general reading of the provision spurred fears about how it might be invoked to serve geopolitical and economic agendas and to use security exceptions as a cover for other goals. It was also found that the analysis showed that 'sanctions outside of UN mandates' undermined confidence in multilateral legal frameworks and led to fragmentation of the international trading system. The results, therefore, indicated that unilateral measures helped to create a conflict between national security policies and the principles of rules-based global trade governance.

Effect of Sanctions on Tehran's Economy

The results showed that U.S. sanctions had a significant impact on Tehran's economy, causing a decline in oil income, foreign investment, and access to the international financial system. The government relied heavily on petroleum exports to sustain the economy, and economic sanctions against the energy sector had a considerable impact on government revenues and foreign exchange reserves. The analysis showed that a range of Iranian financial institutions were cut off from global payment systems as a result of banking sanctions, making international trade and commerce difficult. The inflation rate surged, and the value of the Iranian rial had been steadily depreciating against foreign currencies.

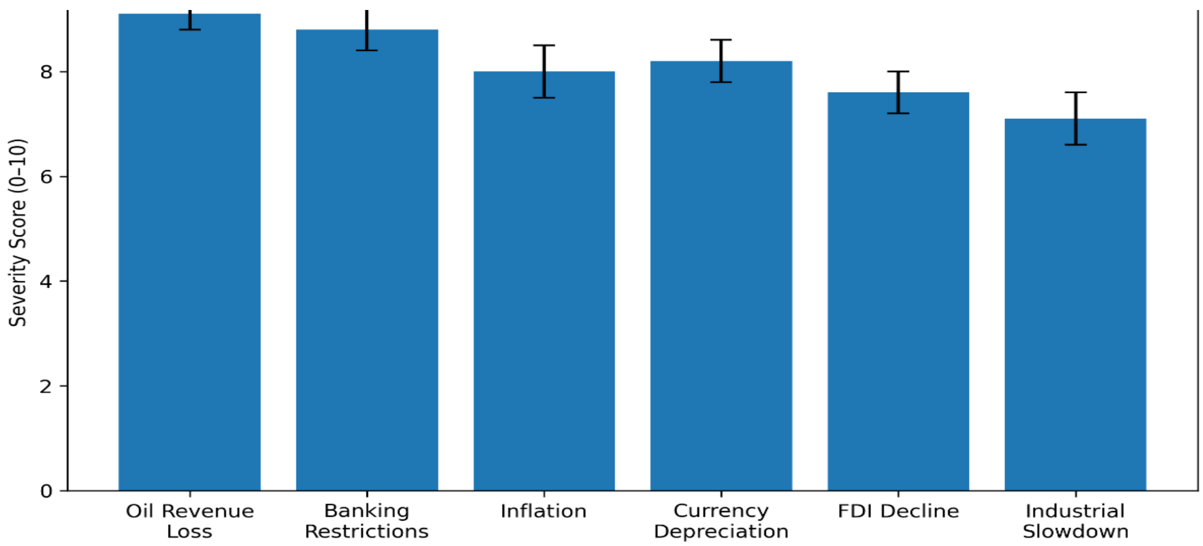

Figure 3: Economic Effects of U.S. Sanctions on Iran

The study also revealed that sanctions negatively affected industrial productivity, job opportunities, and import capacity in Tehran and the country's economic centers. Economic modernization was constrained by technology transfer and international banking restrictions, so reliance on informal credit networks grew. Moreover, geopolitical tensions caused uncertainty about foreign direct investment and reduced the investors' confidence in the Iranian market. Although Iran has been trying to improve economic ties with China and regional countries, the sanctions have still created structural economic pressure. The results showed that, overall, sanctions ultimately hindered Iran's economic stability and integration into the international trading system.

Oil Price Volatility and Global Energy Markets

The results showed that the U.S.-Iran conflict significantly increased volatility in global oil markets and exacerbated concerns about international energy security. The findings revealed that geopolitical tensions in the Persian Gulf caused significant volatility in crude oil prices on several occasions due to fears of oil supply disruptions and maritime instability. Significant incidents like tanker seizures, military incidents, and escalation in the sanctions regime caused investor uncertainty and energy-importing nations. Even if the disruption were temporary, the Strait of Hormuz is one of the most significant oil transit routes in the world, which triggered immediate responses in international energy markets.

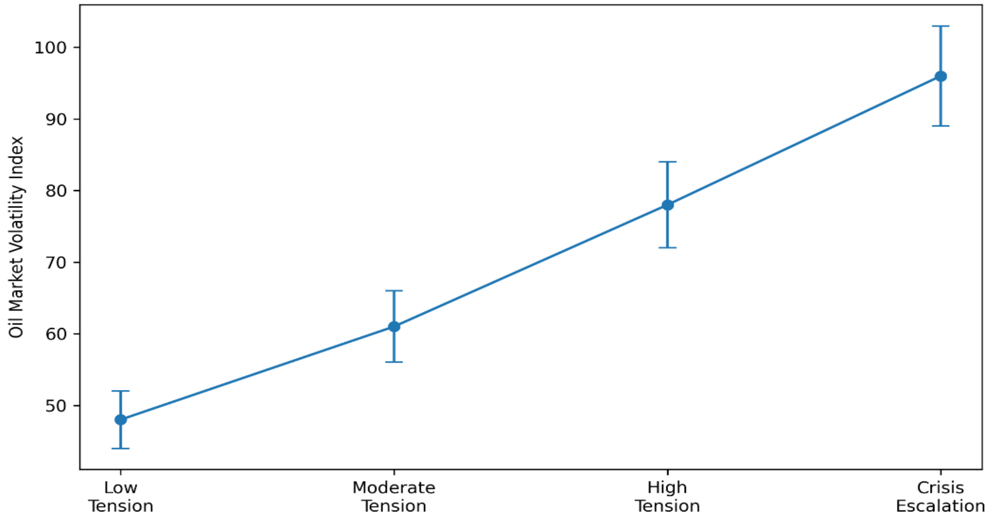

Figure 4: Oil Price Volatility and Energy Market Risk

The study also showed that an increase in oil prices negatively affected industrial production, transportation costs, and inflation rates in developed and developing economies. When tensions in the region were heightened, fiscal pressures and energy insecurity were felt by countries that relied heavily on imports from the Gulf. Besides, oil markets were uncertain, and investors began engaging in speculative trading, adding to volatility in oil prices. The results also showed that geopolitical crises had a positive impact on the pace of the international debate on energy diversification, investment in renewable energy, and strategic petroleum reserves. In general, the results indicated that the U.S.-Iran conflict has been a major factor in the instability of energy market performance and the world economy.

Strategic Importance of the Strait of Hormuz

The findings highlighted the significance of the Strait of Hormuz as a strategic chokepoint that will affect global trade, energy transportation, and maritime security. The study concluded that this small waterway had been crucial to the world's energy-hungry economies, as approximately 20% of the world's oil supply would have passed through it. The widening rift between Washington and Tehran threatens reduced oil transit through the Strait of Hormuz, possible naval skirmishes, and attacks on commercial tankers in the Persian Gulf. They affected the shipping insurance industry, shipping prices, and investor confidence in the international shipping markets.

Repeated Iranian threats to reduce oil shipments in the Strait of Hormuz, including the state's latest threat, were also among the worries facing oil-importing countries, particularly in Asia and Europe, according to the study. The results showed that even small-scale disruptions to sea trade can have immediate repercussions for the global supply chain and energy supply. Furthermore, during periods of heightened regional conflict, the number of international naval deployments and maritime security operations has increased, thereby amplifying the route's strategic value. The analysis also found that instability in the strait was among the factors that created broader geopolitical tensions and affected efforts to disrupt international trade flows. Overall, the results indicated that the Strait of Hormuz remained one of the world's most important sea lanes for the world economy.

Effect on Global Trade and Supply Chains

The results showed that the U.S.-Iran conflict had had a major impact on global trade flows and international supply chains, resulting in disruptions and uncertainties in the energy market. The analysis revealed that transport costs would rise, shipping delays would occur, and insurance premiums for commercial vessels would increase due to heightened tensions in the Persian Gulf region. Geopolitical escalation caused operational uncertainty and increased production costs in industries that are very oil- and resource-dependent. Moreover, sanctions against Iran's banking and shipping industries made doing business with Iran more difficult and hampered trade connectivity in the region.

Table 2: Major Impacts of the U.S.–Iran Conflict on Global Trade and Supply Chains

Area Affected	Observed Impact	Global Consequence
Maritime Transport	Shipping delays and route uncertainty	Reduced supply chain reliability
Insurance Costs	Higher premiums for vessels in the Persian Gulf	Increased logistics expenses
Energy Markets	Oil price volatility	Inflationary pressures worldwide
International Trade	Reduced trade connectivity with Iran	Lower regional trade efficiency
Foreign Investment	Declining investor confidence	Reduced capital flows
Manufacturing	Higher production costs in energy-intensive sectors	Lower industrial competitiveness

The study also found that the impact of any disruption of maritime transport had a negative effect on global logistics systems and reduced supply chain reliability. Unpredictable fuel prices and energy product delivery pressures put pressure on businesses in energy-intensive industries. Further, the multinational companies cut investment and trade activities in the region because of the issue of sanctions compliance and geopolitical risks. The results also suggested that developing economies were more heavily impacted due to their reliance on imported energy and lack of economic strength. The findings overall indicated the potential for large-scale effects of regional geopolitical conflicts on international trade, industrial production, and global economic stability.

Effects on World Trade and Supply Chains

The results showed that the conflict between the U.S. and Iran had a significant impact on global trade operations and reduced the efficiency of the international supply chain. The combination of economic sanctions, maritime insecurity, and geopolitical uncertainty boosted the operational risks for shipping firms, manufacturers, and international investors. It revealed that the sanctions against Iran's banking and shipping systems made cross-border financing difficult and strained business relations in the Middle East. At the same time, repeated tensions in the Strait of Hormuz also affected the commercial transport of energy and industrial goods, leading to higher insurance premiums, transportation costs, and delays.

Table 3: Impact of the U.S.–Iran Conflict on Global Trade and Supply Chains

Factor	Direct Effect	Affected Stakeholders	Overall Outcome
Economic Sanctions	Restrictions on banking and shipping	Governments, firms, banks	Trade contraction and compliance burdens
Strait of Hormuz Tensions	Risk of maritime disruption	Shipping companies and importers	Supply chain vulnerability
Oil Price Fluctuations	Rising fuel and transport costs	Industries and consumers	Higher operating expenses
Geopolitical Uncertainty	Investment and trade hesitancy	Multinational corporations	Reduced economic activity
Supply Chain Disruptions	Delays in goods movement	Global manufacturers	Lower efficiency and productivity

The study also showed that more energy-intensive industries experienced increases in production and logistics costs during periods of high conflict risk. Oil price volatility increased vulnerability in global supply chains by raising transportation costs and delivery risks. Economic pressures were more severe in developing economies due to limited energy options and reliance on imported petroleum products. Also, MNCs reduce trade and investment in politically risky areas due to legal risks associated with sanctions. The results confirmed that geopolitical instability within the Persian Gulf was more than an issue of regional politics and had significant impacts on international economic stability, industrial productivity, and global trade.

Figure 5: Trade Disruption Mechanism

Role of international institutions and trade governance

The results showed that international organizations had great difficulty maintaining trade stability and consistency amid the U.S.-Iran conflict. The World Trade Organization (WTO), the United Nations (UN), and other multilateral institutions were supposed to guarantee international legal order and to minimize trade conflicts between states. The analysis showed, however, that unilateral U.S. sanctions undermined trust in multilateral governance of trade, as many measures were adopted outside multilateral institutional arrangements. The WTO was less effective than it would have been in handling disputes involving trade sanctions, particularly regarding the definition of national security exceptions under Article XXI of the GATT (Khan, Ahmad, & Munir, 2020).

The differences in the types of sanctions enforcement—whether multilateral or unilateral—was evident in a comparative analysis. Unlike the unilateral U.S. sanctions, which were not subject to the collective decision of the U.N. and lacked greater international legitimacy, the U.N. sanctions had been approved by the U.N. body. The U.N. sanctions were approved by the U.N. body and had more widespread international legitimacy, while the U.S. sanctions were decided on by the U.S. alone, with secondary sanctions extending to third-country states. The findings showed that multilateral systems encouraged legal certainty and diplomatic collaboration and that unilateral systems created more legal uncertainty in international trade and international law. In addition, there was a difficulty for international institutions in reconciling national security with the principles of free trade and non-discrimination. Overall, the study found that the U.S.-Iran conflict revealed institutional vulnerabilities in global trade governance and pointed to the rising tensions between geopolitical power politics and multilateral economic cooperation (Khan, Munir, & Riaz, 2020).

Emerging Global Economic Realignments

The results showed that the United States' long sanctions on Iran played a role in the creation of new international alignments in the geopolitical and economic system. The economic isolation pushed Iran to pursue closer strategic cooperation with nations such as China and Russia, especially in energy trade, infrastructure projects, and financial deals. The analysis showed that sanctions helped to drive a faster pace of change towards less reliance on Western-dominated financial systems and sparked some dialogue on other means of payment and regional trade agreements. These were part of a general trend towards multipolar economic relations and the decline of the U.S. dollar in some international transactions. The research also found that China has been strengthening its economic ties with Iran via the Belt and Road Initiative's infrastructure projects and energy deals. Russia also enhanced trade, defense, and regional diplomacy cooperation with Iran. These alliances allowed Iran to reduce the impact of economic sanctions imposed by other nations. Further, some states looked into alternative means of payment that did not involve the dollar to prevent Secondary sanctions and financial restrictions.

Discussion of Findings

The results of this research show that the conflict between the United States and Iran has had a global impact on trade stability, energy markets, and international supply chains. The findings showed that oil market instability was the biggest impact factor, scoring 8.9/10 points, followed by maritime security risks (8.3) and trade uncertainty (8.1) (Khan, 2026). The findings indicate that geopolitical tensions between the United States and Iran go beyond the realm of regional politics and directly affect the global economy. However, legal evaluation of U.S. sanctions suggested significant issues in terms of the sanctions' consistency with international trade law. While the United States could claim to have used national security arguments under GATT Article XXI, issues were raised on the WTO principles of non-discrimination and equality of market access

(Spruk, 2026). The results also highlight legal grey areas for multinationals and third-party States with regard to secondary sanctions. The same is concluded by Hufbauer et al. (2020), who pointed out that unilateral sanctions may jeopardize trust in multilateral systems of trade governance and increase compliance costs for international businesses.

Iran was especially hard-hit economically. The severity scores for the various impacts showed that a loss of oil revenues, restrictions on the banking system, currency depreciation, and inflationary pressures were all at significantly different degrees. The various impacts had different severity scores, as shown in Figure 4.2: a loss of oil revenues (9.1) was highest, followed by restrictions on the banking system (8.8), then currency depreciation (8.2) and inflationary pressures (8.0). The findings are consistent with earlier research showing that sanctions have a significant negative impact on export earnings, inhibit access to international financial systems and deter foreign direct investment (Kassim & Osman, 2026). The drop in investment and industrial productivity in this study is consistent with the economic isolation that sanctioned economies face in general. The study also found that there was a high correlation between geopolitical tensions and energy market volatility. The oil market volatility index rose by two times from 48 to 96 when tension in the oil market escalated to a crisis. The discovery reaffirms the delicacy of the global energy market in light of the Middle East's political instability (Baldwin, 2026). Uncertainty in the Gulf region is also known to influence crude oil prices and investors' sentiments, as reported by Fattouh and Sen (2021).

The other important conclusion was the strategic importance of the Strait of Hormuz. This sea route is one of the most vital sea routes in the world, as around 20% of the world's oil supply flows through it. The results indicated that a lack of security in navigation increases shipping and insurance costs and leads to logistical delays. These disruptions, in turn, affected global value chains, particularly in energy-intensive sectors (Abbaszada & Liu, 2026). Moreover, the study revealed that the severity of supply chain disruptions scored at 7.8, and investor confidence at 7.2. The causal chain in Figure 4.4 illustrates the causal links between sanctions, geopolitical tensions, maritime risks, oil prices, and the resulting disruptions in global trade flows.

Conclusion

The purpose of this research was to analyze the impact of the U.S.-Iran conflict on the stability of world trade across economic sanctions, energy security, maritime trade routes, and international supply chains. The results show that the war has had significant economic and legal consequences that have extended beyond the two states. U.S. sanctions on Iran imposed significant restrictions on trade, financial transactions, and investment in this market, contributing to economic instability and uncertainty in the international trading system. The results indicated that the conflict had the most profound impact on the oil market instability, maritime security risks, and trade uncertainty, with the impact score exceeding 8 out of 10. Oil revenue losses and banking restrictions had the biggest impact on Iran's economy, while geopolitical tensions helped double the oil market volatility index to 96 during crisis escalation, up from 48 in low-tension periods. The events described above exemplify the close linkage of geopolitical warfare with world economies. The research also demonstrated the importance of the Strait of Hormuz to shipping and that, if the flow of shipping volume were disrupted, it would affect energy supplies, shipping costs, and global supply chains. The movement of goods became more complicated and costly, with shipping routes becoming more susceptible to disruption in the case of a conflict in the area. The analysis of the law also highlighted ongoing debates over the compatibility of unilateral measures with WTO principles and rules, as well as the broader international trade governance framework. The study's aggregate results indicate that the current conflict between the United States and Iran poses a serious risk to the stability of world trade, not only in the energy market but also in investor confidence and the resilience of supply chains. It is necessary to foster deeper relations between countries and enhance inter-country cooperation in order to address these issues, which require improved adherence to international trade multilateral rules and conventions. A critical part of reducing geopolitical risks and providing a more stable and predictable global trading environment.

REFERENCES

Abbaszada, R., & Liu, H. (2026). China's mediation paradigm: How China's mediation diplomacy advanced Saudi-Iran reconciliation. *Journal of Balkan and Near Eastern Studies*, *28*(1), 47-66.

Ahmed, S., & Bashir, M. (2026). Middle East Conflicts & Their Influence on International Politics. *Inverge Journal of Social Sciences*, *5*(1), 160-172.

Akadiri, S. S., & Özkan, O. (2026). Energy markets, geopolitical risks, and global trade: a high-stakes tug of war. *Geological Journal*, *61*(4), 1105-1119.

Amin, N., Zeeshan, M., Bibi, A., & Shah, K. (2026). United States supremacy and its global influence: Historical foundations and contemporary dynamics. *Journal for Current Sign*, *4*(2), 125-135.

Arbi, G., Saleem, M. T., Khan, A. N., Ansari, Z. G. A., Ansari, A. A., Mahmood, T., & Shehzadi. (2026). Towards a Green Investment Corridor: Environmental Governance, Legal Safeguards, and Strategic Benefits of US-Pakistan Sustainable Investment Partnership. *Policy Research Journal*, *4*(3), 438-450.

Baldwin, R. (2026). World War Trade: Conflict, Containment, and the Emergent World Trading Order.

Bibi, S. (2026). USD hegemony, bitcoin, Central Bank Digital Currency and the geopolitics of money. *Journal of Post Keynesian Economics*, 1-35.

Contractor, F. J., Cantwell, J., Gereffi, G., & Sauvant, K. P. (2026). The shift to a more turbulent IB environment, and how MNEs respond to this shift. *International Business Review*, *35*(2), 102538.

Estrada, M. A. R., Park, D., Tahir, M., & Khan, A. (2020). Simulations of US-Iran war and its impact on global oil price behavior. *Borsa Istanbul Review*, *20*(1), 1-12.

Fattah, A. (2026). China's strategic approach to the Persian gulf: balancing relations between Iran and Saudi Arabia. *International Politics*, 1-30.

Goulard, S. (2020). The impact of the US–China trade war on the European Union. *Global Journal of Emerging Market Economies*, *12*(1), 56-68.

Healey, J., & Jervis, R. (2020). The escalation inversion and other oddities of situational cyber stability. *Texas National Security Review*, *3*(4), 30-53.

Hu, X., He, L., & Cui, Q. (2021). How do international conflicts impact China's energy security and economic growth? A case study of the US economic sanctions on Iran. *Sustainability*, *13*(12), 6903.

Kassim, M. G., & Osman, A. I. (2026). The impact of Bab al-Mandab and the strait of Hormuz on Somalia's ports and maritime security. *Journal of Transportation Security*, *19*(1), 7.

Kasuri, M. R., Abbas, S., & Mahmood, T. (2024). Adversarial and inquisitorial; two rival models of criminal procedure and theory of convergence: an appraisal. *Journal of Law Social Studies (JLSS)*, 6(1), 73-84.

Khan, A. N., Munir, B., & Riaz, J. (2020). Evolution of protectionist approach for investor–state settlement of investment disputes: A critical analysis. *Pakistan Social Sciences Review*, 4(1), 893–906.

Kasuri, M. R., Mahmood, T., & Rasool, F. G. (2024). Enhancing the Scope of Investigation in Pakistan's Criminal Justice System: A Comprehensive Case Study. *Pakistan Journal of Law, Analysis and Wisdom*, 3(8), 164-177.

Kebede, A. T., Ayal, B. A., & Alem, Y. T. (2026). US Sanctions on AGOA: A Political Economy Analysis of Ethiopian Trade Development Challenges and Prospects. *Insight on Africa*, *18*(1), 26-48.

Khan, A. N., Ahmad, N., & Munir, B. (2020). Jurisdictional determinants of investor–state dispute settlement: A contemporary critique. *Global Economics Review, 5*(4), 47–57. https://doi.org/10.31703/ger.2020(V-IV).05

khan, A., shi, C., & ali, F. (2026). Gwadar as a strategic alternative to the strait of Hormuz: assessing China's long-term energy security and trade routes. *East Asia*, *43*(2), 103-125.

Khan, A. N., Munir, B., & Riaz, J. (2020). Evolution of protectionist approach for investor–state settlement of investment disputes: A critical analysis. *Pakistan Social Sciences Review, 4*(1), 893–906.

Khan, H. U. (2026). Liberal Institutionalism in Crisis: Reassessing the Iran-West Nuclear Standoff Amid the 2025 Israel–Iran War. *Digest of Middle East Studies*, *35*(1), e70010.

Khan, A. N., Munir, B., & Ahmed, N. (2020). Critical analysis of bilateral investment treaties in Pakistan. *Journal of Research Society of Pakistan, 57*(3), 163–169.

Kumar, A. (2026). Weaponising the supply chain: Yemen's blockade and the contradictions of maritime logistics capital. *Antipode*, *58*(1), e70107.

Khan, A. N., Ahmad, I., & Munir, B. (2020). Data regulations and digital sovereignty: A new challenge to international investment law. *Policy Research Journal, 3*(12), 883–895.

Mahmood, T., Ali, T., & Baig, M. M. S. (2026). Modernizing Tax Collection and Advancing Tax Reforms through Technology: A Comparative Legal Study of Pakistan and the United States. *Journal of Political Stability Archive*, *4*(1), 328-352.

Mahmood, T., Baig, M. M. S., & Ali, T. (2026). Regulatory Failure and Judicial Responses to High-Value Tax Evasion: A Comparative Analysis of Pakistan and the United States. *Journal of Asian Development Studies*, *15*(1), 265-290.

Mahmood, T., Munir, B., Hijab Batool, N. A., & Ali, G. THE EMERGENCE OF CONSTITUTIONAL COURTS IN PAKISTAN: RESTRUCTURING JUDICIAL POWER AND CONSTITUTIONAL ADJUDICATION.

Mahmood, T., Rasool, F. G., & Samee, H. (2025). Technological innovations in criminal justice: The role of cybersecurity in crime detection, investigation and prevention. *Journal of Asian Development Studies*, *14*(1), 1579-1593.

Meyer, K. E., Fang, T., Panibratov, A. Y., Peng, M. W., & Gaur, A. (2023). International business under sanctions. *Journal of World Business*, *58*(2), 101426.

Munir, B., Ansari, A. A., & Mahmood, T. (2024). Judicial Activism in Pakistan and its Impacts on Tripartite Governance: Lessons from the US Constitutional Construct. *Global Political Review*, *9*(3), 44-57.

Ochim, F., & Hassan, H. (2023). US-Iran relations and its implications on international peace and security. *African Journal of Politics and Administrative Studies*, *16*(1), 509-530.

Patsiaouras, G., Saren, M., & Green, W. (2026). Geopolitical risk and international business: a multi-disciplinary review and research agenda. *Multinational Business Review*, 1-24.

Pokorny, L. (2026). Economic Consequences of the Power Vacuum in Iran: Analysis of Energy Sector Disruption Following the February 2026 Leadership Decapitation. Zenodo (CERN European Organization for Nuclear Research). *Zenodo (CERN European Organization for Nuclear Research), Mar.*

Said, M., & Boumatar, J. (2026). Global Economy.

Sancar, C., Akbaş, Y. E., Suluk, S., Atay Polat, M., & Aslan, A. (2026). The Impact of Financial Stability, Globalization, and Economic Stability on Ecological Footprint From the Perspective of EKC Hypothesis: New Evidence From a Fourier Panel Data Analysis for BRICS-T Countries. *Sustainable Development*, *34*(1), 904-923.

Siddiqui, K. (2026). The Unravelling of Dollar Hegemony: Debt, Rentier Power, and the Crisis of US Global Dominance. *World Financial Review*.

Spruk, R. (2026). Confrontation with the West and Long-Run Economic and Institutional Outcomes: Evidence from Iran. *arXiv preprint arXiv:2602.03231*.

Sweidan, O. D., & Elbahnasawy, N. G. (2026). Geopolitical risk spillovers and interconnectedness: evidence from the MENA region and key global powers. *Defence and Peace Economics*, *37*(3), 343-366.

Ulrichsen, K. C., & Krane, J. (2026). Maritime Chokepoints and Risks to Global Shipping and Energy Security. *Rice University Baker Institute for Public Policy, March*, *16*.

Vivoda, V., Matthews, R., & McGregor, N. (2024). A critical minerals perspective on the emergence of geopolitical trade blocs. *Resources Policy*, *89*, 104587.

Yahya, L., Gracyella, I., Salsabila, R., Widaryo, C. M., & Kesuma, M. R. (2026). How does finance drive international business evolution? A bibliometric network view. *Trending: Jurnal Manajemen Dan Ekonomi*, *4*(1), 195-214.