

energy prices, elevated interest rates and heavy consumer indebtedness is capable of posing serious risks to financial stability. Under extreme conditions, those dynamics can help trigger a chain reaction of corporate failures, financial distress and industrial contraction — putting severe internal pressure on American society.

Attrition warfare, Pentagon's budget and energy market

In a long war of attrition, the United States must devote a substantial share of its military and fiscal resources to overseas deployments, logistics, munitions production and support for allies. That has several implications:

- Fewer resources remain for direct support of financial markets or high-risk innovation sectors — especially if those sectors are showing signs of speculative excess, as in parts of the tech and AI ecosystem;
- Washington's need to contain energy shocks grows because a major spike in oil and gasoline prices, layered on top of heavy defense spending, compounds the strain on both the federal



Russia's Permanent Representative to the UN Vasily Nebenzya (front) vetoes a resolution encouraging states to protect commercial shipping in the Strait of Hormuz, during a United Nations Security Council meeting at UN headquarters in New York City, US, on April 7, 2026.

● JEENAH MOON/REUTERS

budget and the domestic social contract;

- In such an environment, any significant disruption to energy supply — from tensions in the Strait of Hormuz to reductions in Russian exports — feeds di-

rectly into the cost of war and the stability of the home front.

For actors like Iran and Russia, engaged in various degrees of asymmetric confrontation with the United States, prolonging conflict and steering it toward

economic and energy attrition is part of the broader strategic play. In this kind of contest, oil, gas, maritime chokepoints and settlement currencies can be as consequential as missiles and drones.



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Energy, money and new "war of systems"

Taken together, these dynamics suggest a world in which energy markets, monetary systems and geopolitical conflict are tightly interwoven:

- Energy and its chokepoints — above all, the Strait of Hormuz and the Bab el-Mandeb — have become tools not only to challenge the petrodollar, but also to shape an emerging petroyuan ecosystem;
- Iran and Russia, with their vast hydrocarbon reserves and strategic transit positions, are in a position to influence both the physical flow of energy and the financial architecture that underpins it;
- Extreme scenarios in which WTI crude trades near \$200 a barrel and US gasoline hovers around \$7 a gallon would translate quickly into pressure on household budgets, the credit system and the broader political economy of the United States;
- And, ultimately, today's long wars of attrition are not confined to battlefields. They continue in energy markets, financial systems and the monthly budgets of ordinary households.

Conditioning Hormuz transit perfectly legal

By Reza Nasri
International Lawyer
OPINION

Iran's legal position regarding the Strait of Hormuz rests on a firm and multi-layered foundation in international law that has been consistently articulated, formally recorded, and never relinquished.

First, the applicable treaty framework does not support the imposition of the "transit passage" regime on Iran. The United Nations Convention on the Law of the Sea (UNCLOS) introduced transit passage as a novel legal construct, granting expansive rights — including overflight and submerged navigation — to foreign military assets. However, Iran never ratified UNCLOS and explicitly rejected this regime upon signature. Under general principles of treaty law, a state cannot be bound by provisions of a treaty it has not ratified, particularly where it has expressly objected to those provisions at the time of signature.



A police speedboat patrols the port as oil tankers and high-speed crafts sit anchored near the Strait of Hormuz in Muscat, Oman, on March 30, 2026.

● ELKE SCHOLIERS/GETTY IMAGES

This position is reinforced by the doctrine of the persistent objector. Even if one assumes, arguendo, that transit passage has evolved into customary international law, Iran has con-

sistently and openly rejected its applicability. As such, it is not bound by that rule.

Second, in the absence of a universally binding transit passage regime, the governing law reverts to earlier treaty law and customary principles, most notably the 1958 Geneva Convention on the Territorial Sea and the Contiguous Zone. Both Iran and key user states, such as the United States, are not parties to UNCLOS, creating a legal vacuum in which reliance on earlier treaty regimes is not only appropriate but necessary.

Under this framework, the right of passage through territorial seas is not unlimited. It is conditioned on innocent passage, a well-established rule allowing

coastal states to regulate navigation to protect their security and public order. Crucially, innocent passage excludes activities that threaten the coastal state, including military operations, intelligence gathering, and acts connected to hostile conduct.

Third, the geographic reality of the Strait of Hormuz strengthens Iran's legal position. The navigable channels lie entirely within the overlapping territorial seas of Iran and Oman. This is not a high seas corridor but a maritime space subject to coastal sovereignty, albeit qualified by navigational rights. That sovereignty carries with it the right to adopt and enforce laws



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necessary to safeguard national security.

Fourth, even under UNCLOS itself, the regime of non-suspendable innocent passage remains a legally recognized alternative in certain straits. This regime is more restrictive than transit passage and explicitly allows the coastal state to take necessary steps to prevent passage that is not innocent. Iran's interpretation is therefore not a legal aberration, but a plausible reading grounded in existing law.

Fifth, and most critically in the present context, the law of armed conflict and the UN Charter fundamentally alter the legal landscape. Following an unlawful use of force against it, Iran is entitled to invoke its inherent right of self-defense. In such circumstances, the legal characterization of passage cannot be divorced from the realities of hostilities. Vessels and aircraft associated with belligerent states — or facilitating military operations — cannot claim protected navigational rights while simultaneously contributing to acts of aggression.

International law has never required a state to permit its own territorial sea to be used as a conduit for hostile operations. On the contrary, the right of self-defense permits proportionate measures to prevent such exploitation. Conditioning passage on neutrality and non-hostility is therefore not only lawful but necessary to uphold the integrity of that right.

Finally, the conduct of other states further undermines any claim that Iran's position is exceptional. The United States itself is not a party to UNCLOS, yet selectively invokes its provisions as customary law when convenient.

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The map shows the overlapping territories of Iran (above) and Oman at the Strait of Hormuz.

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