governing the contract.
This point is vital for an Iranian exporter. In an FOB contract, for example, the moment of risk transfer differs from that under a contract in which the seller assumes a broader obligation concerning transportation. In CIF contracts as well, the seller must arrange the stipulated insurance, but this does not mean that every form of war-related risk is automatically covered by insurance. In fact, the use of an Incoterm without revisiting the clauses concerning war, sanctions, and insurance can transform an ostensibly standardized contract into one of considerable risk.

Insurance; the link that may bring the entire chain to a halt

In maritime commerce, goods may be legally eligible for export, a vessel may be technically ready to sail, and the buyer may likewise be prepared to make payment; however, if the insurer does not provide the requisite coverage, the transaction may effectively come to a standstill. This is precisely where war, sanctions, and insurance become interconnected. Marine insurance under wartime conditions can expand its capacity to cover war risks, but such coverage is generally contingent upon risk assessment, sanctions screening, and compliance with applicable regulations.
This development conveys an important message: the insurance market does not necessarily regard war risk as uninsurable; rather, it transforms it into a risk that must be separately priced and managed. Conversely, any costs or charges associated with passage through sensitive maritime routes may also become an insurance and sanctions issue.
Therefore, in future Iranian contracts, the sentence "The seller is obligated to procure transport insurance" will no longer suffice. It must be specified what type of insurance, with what coverage limit, against which risk, under what conditions, and subject to which exclusions, will be procured. It must also be established who bears responsibility if the insurer cannot provide coverage because of sanctions or the regulations of the country in which it operates.

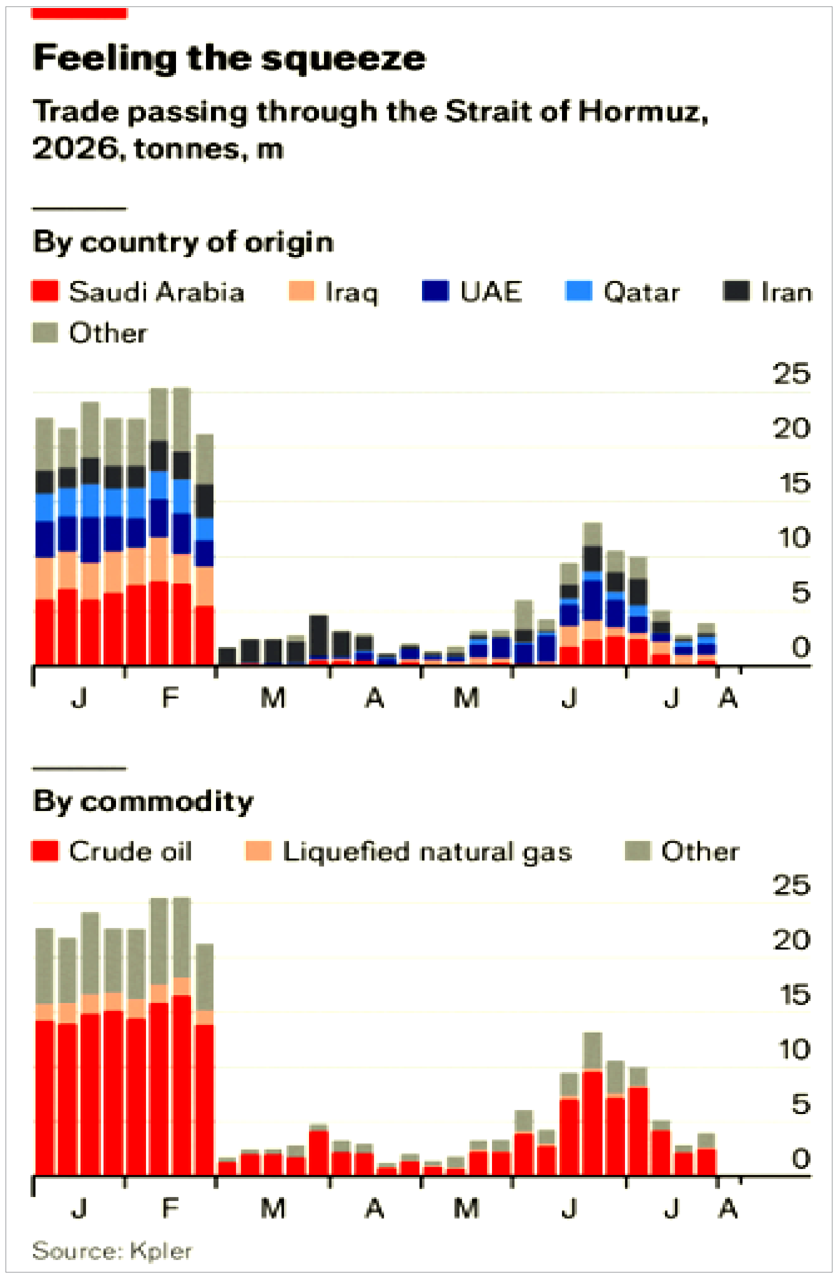
Iranian foreign trade and the imperative of contractual redesign

The new reality is that Iran's foreign trade contracts cannot be drafted as though they belonged to an era of stability. A future contract must regard war not merely as an "event," but as a multilayered risk. The first layer is war and physical security. The second is sanctions and financial regulations. The third is transportation and ports. The fourth is insurance. The fifth is banking and payment, and the sixth concerns legal disputes over which of these factors has actually impeded contractual performance. If these six layers are not incorporated into the contract, future disputes will be almost inevitable. For example, Iranian export contracts should specify more precisely what legal status is created by the "closure of a transportation route". Must the seller identify an alternative route? Over what distance? At what cost? Is a 20% increase in transportation costs tolerable, while a 50% increase triggers renegotiation? If no safe route exists, is the contract suspended or terminated? If an alternative route exists but causes several weeks of delay, does force majeure remain operative? These are questions whose answers cannot be deferred until the crisis occurs.
In future contracts, force majeure and hardship clauses must be designed in proportion to the nature of the transaction, and complex commercial risks in a sanctions- and war-affected environment cannot be managed merely by copying a generic provision from other contracts.

A view of Iranian-flagged cargo ship M/V Touska as the US Navy Arleigh Burke-class guided-missile destroyer USS Spruance conducts its interception in a location given as the north Arabian Sea, in this screen capture from a video released on April 19, 2026.
● CENTCOM

From 'termination' to 'contractual resilience'

Perhaps the most consequential change in perspective for Iran's foreign trade lies precisely here. Under ordinary conditions, a contract is drafted to ensure performance. Under conditions of war and sanctions, a contract must, in addition to ensuring performance, specify how the transaction is to remain viable during a crisis. This signifies a transition from contracts predicated upon "termination after a crisis" to contracts predicated upon "resilience during a crisis". Under this model, a contract can contain a hierarchy of solutions: first notification, then negotiation, followed by temporary suspension, then alteration of the route or method of transportation, subsequently adjustment of the price or delivery time, and finally, if the impediment is persistent and fundamental, termination of the contract. Such a mechanism prevents an immediate dispute; because the parties know in advance what consequence attaches to each stage.
More precise provisions should also be incorporated concerning "change in law". If a country imposes new sanctions, a bank prohibits a transaction, or a maritime route becomes subject to security restrictions, the contract should specify whether this circumstance creates merely a right of suspension or also a right of termination. In contracts connected with Iran, even the choice of governing law and the arbitral forum assumes greater significance. An arbitration clause that merely identifies an arbitral institution is insufficient. The question must be whether the arbitrator can disregard the sanctions law of a third country. Will enforcement of the judgment be possible in a country that imposes the sanctions? Will payment of arbitration costs itself encounter financial restrictions?
In reality, war can transform a dispute that appears "commercial" into a dispute concerning multiple legal systems. The issue is not confined to exports; imports are exposed to the same risks. This discussion should not be confined exclusively to oil and petrochemical exports. For an Iranian importer, the risk may originate elsewhere: the foreign seller possesses the goods, but its bank is unwilling to receive payment from Iran; or the shipping company is unwilling to enter the region; or the insurer does not provide the requisite coverage; or the goods become stranded at an intermediate port. Under these circumstances, the important question is not "Who is at fault?" but rather what mechanism the contract has



The chart shows the volume of trade passing through the Strait of Hormuz in January–August 2026.
● THE ECONOMIST

contemplated for such a situation.
This issue assumes amplified importance in trade predicated upon banking documents. War may subject banking and documentary operations to delay and disruption, but the rules governing letters of credit and other instruments of documentary trade do not automatically cease to exist. This point is extremely important: war may render performance of a transaction difficult, but "difficulty" is not synonymous with "legal exemption".

A warning concerning force majeure

The experience of recent crises conveys an important lesson to Iranian economic actors and non-Iranian merchants conducting commerce with Iran: force majeure should not become the final bullet of a contract. A party that declares on the first day of a crisis, "War has occurred, so the contract is over," may subsequently encounter the argument that it could have performed part of its obligation through route alteration, reasonable delay, alternative transportation, or negotiation. Conversely, a buyer cannot merely invoke late delivery to impose all responsibility upon the seller if it is established that the transportation route was genuinely unsafe and that no reasonable alternative existed.
Therefore, in future disputes, courts and arbitral tribunals will likely examine the operational particulars more closely than before: Which routes were open? When did they close? What was the cost of an alternative route? Was insurance available? What precisely did the sanctions prohibit? Could the bank execute the payment? And, most importantly, what did the parties know or ought to have known at the time of contract formation? This is the point at which contract law becomes disentangled from foreign policy and is transformed into commercial risk management.

> **"** The more consequential question is this: if war, sanctions, the closure of a maritime route, increased insurance risk, or governmental intervention prevents the performance of an Iranian commercial contract, who bears responsibility and who must absorb the cost of such disruption? The answer is not straightforward; international law does not automatically equate every war with "force majeure," nor does it recognize every increase in costs as a legitimate ground for terminating a contract.

Strait of Hormuz and the future of Iranian trade

The Strait of Hormuz is now more than a strategic waterway; it has become one of the most consequential legal and economic variables affecting regional commerce. However, even if the maritime route reopens at a particular juncture, the difficulties confronting foreign trade will not terminate with the reopening of the waterway. Insurance rates may remain elevated, banks may continue to exercise caution, shipping companies may prefer alternative routes, and foreign counterparties may demand more stringent conditions in new contracts. For this reason, the restoration of trade to normal conditions does not necessarily signify the restoration of costs and risks to their pre-war levels.
Law ultimately returns to the contract. The American–Israeli war on Iran has once again revealed an old reality: international law cannot resolve every difficulty confronting a merchant, but it can clarify the boundaries of responsibility and risk. Sanctions may impede a contract, but they do not, by themselves, answer whether the contractual obligation is suspended or extinguished. The closure of a maritime route may render contractual performance impossible, but the ultimate answer depends upon the text of the contract, the governing law, and the practical circumstances. Increased insurance costs may render a transaction unprofitable, but not every loss constitutes force majeure, and war may profoundly alter contractual conditions, but not every economic alteration creates a right of termination.
From this perspective, perhaps the most important lesson for Iran's foreign trade lies not in any particular statutory provision, but in a transformation of the way contracts are conceived. Iran's foreign trade contracts must be redesigned on the basis of the country's geopolitical reality; a contract drafted for an environment without war, without fluctuating sanctions, and without maritime disruption is fragile in the face of contemporary crises.
Iran requires more than alternative routes, additional vessels, or more expensive insurance to preserve its exports and imports. It requires a new legal architecture for foreign trade; an architecture in which sanctions, war, maritime disruption, insurance, banking, route alteration, force majeure, hardship, governing law, and arbitration are contemplated together from the outset. If war is regarded merely as a temporary event, upon the cessation of hostilities, we will return to the same old contracts. But if it is understood as an indication of a transformation in Iran's commercial risk environment, contracts can become instruments of resilience.
In today's global economy, trade security does not merely mean that a vessel can sail. Genuine security arises when, if the vessel does not sail, if the bank does not transfer the funds, if the insurer does not provide coverage, or if a new sanction enters the equation, the parties know in advance what rights they possess, what obligations they bear, and who will absorb the cost of the crisis. This may be the most important legal lesson of war for Iran's foreign trade: war can alter the routes of vessels, but contractual ambiguity must not be permitted to obstruct the legal pathways of commerce as well.