

STATE CAPACITY OF IRAN AND POLITICAL ECONOMY OF PETRO DOLLAR-YUAN INTEGRATION

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Abstract

This study critically evaluates the shifting dynamics of global energy trade, specifically analyzing the integration of the Petro-Yuan as a strategic counter-hegemonic mechanism for the Islamic Republic of Iran. The central problem concerns the structural vulnerabilities inherent in a U.S. dollar-denominated financial architecture, which functions as an instrument of Western coercive statecraft. Utilizing Immanuel Wallerstein's World-Systems Theory, the research posits that the global hierarchy defined by the core, semi-periphery, and periphery is sustained through the unequal extraction of surplus value, with the dollar serving as the core's institutional anchor. The research objectives are threefold: first, to analyze how the petrodollar and sanctions regimes structurally erode Iranian fiscal autonomy; second, to evaluate whether Sino-Iranian yuan-denominated frameworks offer a sustainable hedge against financial isolation; and third, to examine the efficacy of the Strait of Hormuz as a geoeconomic instrument to counter financial coercion. Employing a qualitative content analysis of secondary data, the study argues that Iran's alignment with Chinese financial structures constitutes a calculated effort to contest the core's "exorbitant privilege." Findings suggest that the transition toward a dual-currency energy market indicates diminishing returns for traditional punitive sanctions. Consequently, the study advocates for a transition toward "Regulated Integration," prioritizing multilateral financial diplomacy and the establishment of an "Energy Security Pact" to decouple trade stability from currency hegemony. This approach seeks to mitigate the risks of systemic instability by favoring diplomatic negotiations over the increasingly unsustainable pursuit of absolute coercive control within a rapidly evolving multipolar order.

Keywords: *Petro-Currency, Political Economy, State Capacity, Strait of Hurmuz, Multipolar Financial Integration.*

Introduction

The contemporary global financial architecture remains anchored by the hegemony of the United States dollar, a structural condition frequently scrutinized through the lens of international political economy as a manifestation of systemic power (Strange, 1994). This dominance was solidified in 1974, following the volatility of the global oil crisis, when the United States brokered a pivotal strategic arrangement with the Kingdom of Saudi Arabia. Under the tenets of this accord, the Organization of the Petroleum Exporting Countries (OPEC) committed to denominating all crude oil exports exclusively in U.S. dollars. In exchange, the United States provided comprehensive security guarantees, military protection, and preferential access to American capital markets (Clark, 2005). This institutionalized the "petrodollar system," a mechanism that engineered an artificial, perpetual global demand for the dollar, thereby granting Washington an unparalleled instrument of coercive statecraft. By positioning the dollar as the indispensable medium of exchange for the world's most vital commodity, the United States acquired the capacity to weaponize the international financial system. This power is manifested through the extraterritorial application of sanctions, the freezing of sovereign assets, and the exclusion of non-compliant states from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network (Nephew, 2017). Consequently, the dollar has

functioned not merely as a currency, but as an extension of American geopolitical reach, facilitating the enforcement of economic containment strategies against adversarial regimes. For the Islamic Republic of Iran, the antagonism inherent in its post-1979 revolutionary trajectory has rendered the nation a primary target of this financial hegemony. The persistent imposition of comprehensive sanctions targeting Iranian petroleum exports, central banking infrastructure, and international corporate partnerships has exacerbated the vulnerabilities of a rentier state characterized by a reliance on hydrocarbon revenues (Maloney, 2010). Faced with the exigencies of economic isolation, Tehran has been compelled to pursue a paradigm shift in its economic orientation. This search for an alternative fiscal architecture has culminated in a deepening strategic partnership with the People's Republic of China, reflecting a broader, emerging trend of "de-dollarization" among states seeking to insulate their sovereign interests from Western financial institutionalism (Eichengreen, 2011). China, as the world's largest energy importer, and Iran, which possesses vast crude oil reserves, have forged a natural partnership. The 2021 twenty-five-year Sino-Iranian Strategic Cooperation Agreement involves significant investment in Iranian infrastructure, energy, and technology sectors in exchange for discounted oil supplies. Crucially, this agreement facilitates the expansion of the yuan in global energy trade, directly challenging the dollar's dominance. In this context, Iran may leverage its strategic control over the Strait of Hormuz a vital corridor through which approximately 20% of the world's daily oil supply transits to project power and mitigate the impact of Western pressure (Abdo, 2017). By shifting its focus toward these contemporary economic weapons, Iran is challenging the global financial architecture and compelling a re-evaluation of power dynamics, where political economy emerges as a critical dimension of post-Cold War statecraft (Blackwill & Harris, 2016).

The fundamental problem addressed in this study is the paradox of Iranian state capacity in an era of intense American financial hegemony. Despite the implementation of decades of comprehensive sanctions and punitive measures designed to isolate the Islamic Republic from the global financial system, Iran retains critical control over the Strait of Hormuz, a geographical chokepoint essential to the global energy supply. This creates a systemic tension between the American-led "petrodollar" architecture, which seeks to weaponize financial connectivity to enforce political compliance, and Iran's ability to project power through its control of vital maritime energy corridors. The reliance of the Iranian rentier state on hydrocarbon revenues remains deeply vulnerable to the extraterritorial reach of the U.S. dollar, yet traditional military deterrence has become secondary to the emerging battlefield of geoeconomics statecraft.

Furthermore, there is a significant research gap in understanding whether the 2021 Sino-Iranian Strategic Cooperation Agreement can successfully insulate Iran from Western financial institutionalism through the adoption of the yuan, or if such a shift merely replaces one form of dependency with another. The risk-reward calculus of leveraging the Strait of Hormuz as an instrument of economic defiance remains an under-analyzed component of contemporary power balancing. This research investigates how Iran navigates these constraints, seeking to determine if the transition toward a "Petro-yuan" nexus effectively enhances sovereign state capacity or if it introduces new forms of instability within the shifting multipolar international order.

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Objective of the Study

This study examines the paradox of Iranian state resilience under U.S. financial hegemony, focusing on how Tehran navigates the weaponization of the global financial system to maintain sovereign capacity.

1. To analyze how the U.S. petrodollar and sanctions structurally erode Iran's fiscal autonomy.
2. To evaluate whether the Sino-Iranian yuan-denominated energy framework provides a sustainable hedge against Western-imposed financial isolation.
3. To examine the efficacy of the Strait of Hormuz as a geoeconomics instrument, assessing how its strategic manipulation enables Tehran to counter financial coercion within a shifting multipolar order.

Methodology

This research adopts a qualitative methodology centered on a thorough content analysis of secondary data sources. By gathering information from academic journals, scholarly books, conference reports, and formal international agreements, the study builds a comprehensive foundation for understanding how the global energy market functions. This approach allows for a deep investigation into the historical and institutional structures that have historically linked oil trade to the United States dollar, providing the necessary context to evaluate how these systems currently influence global economic stability.

The research further employs a comparative analysis to examine the complex relationships between the United States, China, and Iran. By looking at how these nations manage their energy security and foreign policy goals, the study explores the tensions between traditional economic alliances and emerging strategic partnerships. This process involves reviewing official policy documents and trade agreements to determine whether recent shifts in cooperation represent a lasting change in how international trade is conducted or if they are

simply temporary adjustments in response to changing global pressures. Finally, the study synthesizes these diverse sources to assess the potential for a transition toward a more multipolar financial landscape. By comparing the strategic objectives of these key players, the research offers a critical perspective on the sustainability of the current financial order. This method encourages a broader discussion on how shifts in geopolitical influence impact international relations and energy security. Through this structured approach, the study moves beyond simple description to provide a meaningful exploration of the interplay between global power dynamics and the future of international economic systems.

Theoretical Frameworks

World-Systems Theory (WST), championed primarily by Immanuel Wallerstein in the mid-1970s building upon the intellectual foundations laid by Fernand Braudel's Annales school and Andre Gunder Frank's dependency theory conceptualizes the global economy not as a collection of isolated nation-states, but as a singular, integrated capitalist world-economy. This macro-sociological perspective categorizes states into a tripartite hierarchical structure: the core, which monopolizes high-profit production and capital-intensive technologies; the semi-periphery, which serves as a buffer zone; and the periphery, characterized by labor-intensive production and resource extraction. The theory assumes that the global division of labor is fundamentally exploitative, where surplus value is systematically transferred from the periphery to the core, thereby institutionalizing underdevelopment. The fundamental assumptions of WST reside in the belief that the capitalist world-system is defined by cyclical rhythms of expansion and contraction, within which the state serves as a mechanism to facilitate capital accumulation. Central to this framework is the notion that geopolitical power is inextricably linked to economic positioning; consequently, state capacity is not merely an internal administrative achievement but a reflection of a state's structural integration into the global hierarchy.

When applying this framework to the contemporary Iranian political economy, one observes a deliberate attempt to recalibrate the state's position through the strategic diversification of energy trade. Iran's pivot toward Petro-Yuan integration represents a sophisticated maneuver to circumvent the institutional hegemony of the United States-led financial architecture. By utilizing the Shanghai Cooperation Organization (SCO) and bilateral agreements with China to facilitate oil transactions in renminbi, the Iranian state seeks to reclaim its fiscal autonomy and bolster its state capacity by decoupling from the central financial nodes that historically undermined Iranian sovereignty. This transition is not merely a technical adjustment in currency invoicing; it is a structural attempt to mitigate the coercive utility of the SWIFT-denominated dollar system, which has historically functioned as a primary instrument of core-state dominance.

However, the application of WST invites rigorous academic critique.

Critics argue that the theory suffers from an excessive structural determinism that minimizes the agency of political elites and the significance of domestic ideological drivers, such as the revolutionary ethos of the Iranian state. Furthermore, there is a substantive debate regarding whether this shift constitutes a genuine systemic rupture. Skeptics posit that replacing the dollar with the yuan may simply transition Iran from one form of structural dependency to another exchanging Western-led financial hegemony for integration into a Sino-centric system. In this

view, the "multipolar" shift may merely represent a reconfiguration of power asymmetries rather than a liberation from the core-periphery dynamic.

Ultimately, the utility of WST in the Iranian context lies in its ability to highlight the tension between state aspirations for sovereignty and the immutable forces of global capital. The persistent divergence between core-controlled financial pricing and peripheral resource value necessitates the state's strategic realignment to survive. Whether Iran's current trajectory successfully disrupts these long-standing asymmetries or merely recalibrates its position within the global division of labor remains a critical subject of inquiry, necessitating an interdisciplinary synthesis of international political economy and comparative state theory.

Literature Reviews

According to Al-Shammari & Al-Saif (2022) explores the weaponization of the dollar through sanctions. While it identifies the trend, it lacks micro-level analysis on how specific peripheral states operationalize alternative payment systems to bypass Society for Worldwide Interbank Financial Telecommunication (SWIFT). Bagheri (2024) examines systemic transition risks in the global south but it fails to address how specific geoeconomics leverage, such as the Strait of Hormuz, acts as a physical buffer against financial coercion. Eslamloo & Karami (2023) These authors evaluate the 25-year Sino-Iranian agreement. The research lacks quantitative evidence regarding the actual impact of this agreement on Iran's fiscal autonomy. Garber (2021) Discusses the decline of unipolarity and central banking. However, it overlooks the strategic agency of sanctioned states that actively force this decline via bilateral energy-currency swaps. Jafari & Mohammadi (2022) Investigates the petro-yuan as a hedge. The study on the other hand neglects the potential for "new dependencies," failing to assess if yuan-denominated trade merely shifts the source of vulnerability rather than eliminating it. Kharazi (2021) Analyzes the survival of rentier states under isolation. It does not distinguish between short-term survival tactics, such as black-market oil sales, and long-term structural economic reform. Naseri (2024) in his work maritime choke points as tools of geoeconomics statecraft Examines maritime chokepoints but the study Requires deeper synthesis with financial statecraft to explain the mechanism by which physical control translates into fiscal bargaining power.

Razavi (2022) Explores shadow financial networks but fails to address the scalability of these networks specifically whether they can support a national economy's industrial base long-term. Zhang (2023) Applies world-systems theory to strategic hedging. Needs a specific case study on how Iran's revolutionary ideology complicates traditional "rational actor" hedging behaviors. Hosseini (2023) Investigates digital currency as an evasion tool. it does not integrate traditional petro-yuan trade dynamics with emerging fintech solutions, leaving a void in how these systems might converge. Farahani (2024) Analyzes domestic industrial productivity under sanctions, lacks an analysis of how international trade reorientation toward China specifically impacts internal state capacity and fiscal policy.

The investigation into Petro-Dollar-Yuan integration is critical for advancing the International Political Economy (IPE) discourse. By applying world-systems theory, this research synthesizes the core-periphery tension, where the U.S. dollar represents the "core" instrument of control, and Iran acts as a "semi-peripheral" state attempting to navigate these structural constraints.

Analysis of Research Questions

1. To what extent does the U.S. petrodollar and sanctions structurally erode Iran's fiscal autonomy?

The hegemony of the United States dollar within global commodity markets functions as a sophisticated apparatus of structural power, effectively constraining the fiscal sovereignty of nations that operate outside the prevailing geopolitical consensus. By mandating that petroleum transactions be denominated in USD, the global financial architecture creates a systemic necessity for liquidity that empowers the United States to exert coercive influence over the monetary policies of producer states. In the context of Iran, this petrodollar nexus acts as a foundational barrier; it mandates that the state navigate a financial environment where the primary medium of exchange is controlled by a regulatory authority, thereby institutionalizing a structural vulnerability that Eichengreen (2011) characterizes as an "exorbitant privilege."

The imposition of extraterritorial sanctions serves to operationalize this structural dependency, specifically by severing the pathways of international capital flow. When Iranian financial institutions are systematically excluded from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the state loses its capacity to execute independent monetary maneuvers or manage its foreign exchange reserves with autonomy. As noted by Nephew (2017), this exclusion does not merely represent a limitation on trade; it functions as a comprehensive blockade that strips the central bank of its ability to conduct independent policy, forcing the institution into a defensive posture that necessitates the pursuit of opaque and inefficient financial channels.

This resulting reliance on shadow finance generates a profound distortion in the Iranian fiscal landscape, characterized by the emergence of substantial transaction costs and the erosion of capital efficiency. The necessity of employing intermediaries to circumvent dollar-clearing restrictions compels the state to absorb significant risk premiums, which effectively diverts critical resources away from productive economic development. According to Razavi (2022), these clandestine trade networks increase the cost of international transactions significantly, forcing the government to prioritize the maintenance of these precarious financial conduits over the implementation of long-term, sustainable macroeconomic strategies.

Ultimately, the confluence of the petrodollar system and comprehensive sanctions relegates Iran to the status of a sanctioned periphery, where the state's fiscal policy is perpetually reactive rather than proactive. By restricting access to global capital markets, these mechanisms compel the Iranian government to rely excessively on domestic revenue streams that are acutely susceptible to the inherent volatility of global oil prices. As argued by Maloney (2010), this cycle of dependence ensures that the state remains trapped in a structural paradox, where the pursuit of economic resilience is constantly undermined by the very financial architecture designed to facilitate global trade, thereby rendering true fiscal autonomy an elusive objective.

2. Does the Sino-Iranian Yuan-Denominated Energy Framework Provide a Sustainable Hedge Against Western Financial Isolation?

The 2021 Comprehensive Strategic Partnership between the Islamic Republic of Iran and the People's Republic of China represents a seismic shift in the architecture of international political economy, specifically regarding the circumvention of Western-led financial hegemony. By formalizing a yuan-denominated energy framework, the two nations seek to insulate their bilateral trade from the reach of the U.S. Department of the Treasury's Office of

Foreign Assets Control (OFAC). As observed by Eslamloo and Karami (2023), this transition is not merely a transactional preference but a structural realignment aimed at neutralizing the weaponization of the SWIFT messaging system and the dominance of the USD in global energy markets.

However, the efficacy of this "sanctions-proof" architecture remains subject to intense scholarly debate. While the adoption of the Renminbi (RMB) facilitates a bypass mechanism for energy exports, the sustainability of this hedge is inextricably linked to China's long-term infrastructure investment commitments. Jafari and Mohammadi (2022) argue that while this strategy provides a vital tactical reprieve from liquidity crises, it inadvertently fosters a "bipolar dependency." Iran's transition from Western financial exclusion to a profound reliance on Chinese state-owned enterprises (SOEs) risks replacing one form of structural constraint with another, potentially limiting Tehran's future autonomous policy-making capacity. Furthermore, the fundamental limitation of this framework lies in the inherent characteristics of the yuan itself. Despite its growing integration into the Cross-Border Interbank Payment System (CIPS), the RMB currently lacks the universal convertibility and deep liquidity profiles that define the USD-based global financial core. Bagheri (2024) notes that while the bilateral framework has successfully stabilized funding for domestic state-led industrial projects, it fails to provide the necessary fungibility required for Iran to reintegrate into the broader global economic system. Consequently, the yuan-denominated energy framework acts more as an emergency life-support system rather than a comprehensive, sustainable alternative to the established international monetary order.

3. How does utilizing the Strait of Hormuz as a geoeconomics instrument effectively counter financial coercion within the context of an emerging multipolar order?

The Strait of Hormuz serves as perhaps the most potent geoeconomic instrument in Tehran's arsenal, functioning as a critical chokepoint through which nearly 20% of the world's petroleum consumption traverses (Naseri, 2024). In the contemporary era of multipolar competition, Iran's control over this maritime corridor has evolved beyond traditional military posturing; it has been transformed into a sophisticated tool of geoeconomic statecraft. By modulating the perceived security environment of the Strait, Tehran effectively signals the potential for systemic economic disruption, thereby imposing a tangible "risk premium" on global energy markets that serves to offset the costs of Western financial isolation. This application of geoeconomic coercion aligns with the theoretical framework proposed by Blackwill and Harris (2016), who posit that modern statecraft involves the deliberate use of economic instruments to achieve geopolitical objectives. In this context, the Strait is utilized as a fiscal bargaining chip. By threatening the stability of energy supply chains, Iran forces Western powers to internalize the global inflationary consequences of maintaining a rigid sanctions regime. The strategic utility here is profound: it creates a feedback loop where the cost of enforcing financial coercion against Iran becomes prohibitively expensive for the West, thereby compelling a recalibration of the pressure applied by international financial institutions.

Ultimately, the instrumentalization of the Strait of Hormuz reflects the broader transition toward a multipolar order where physical geography retains its primacy in the face of digital and financial warfare. As Naseri (2024) suggests, this strategy is an attempt to force a re-evaluation of the current geopolitical status quo. By linking the security of global energy transit

to the relaxation of secondary sanctions, Iran effectively leverages the interdependence of the global economy against the architects of its own isolation. This suggests that in an age of financial weaponry, the control of tangible, vital resources remain an indispensable, albeit volatile, mechanism for states navigating the complexities of an increasingly fractured global order.

Discussion of Findings

The findings presented here contribute to a robust body of literature within International Political Economy (IPE) that interrogates the structural asymmetries of the global financial architecture. By framing the current geopolitical landscape as a bifurcation between a dominant "core" and a resistant "periphery," this analysis aligns with World-Systems Theory, specifically the seminal contributions of Immanuel Wallerstein. The "exorbitant privilege" of the U.S. Dollar, as conceptualized by Valéry Giscard d'Estaing and later expanded upon by Barry Eichengreen, serves as the cornerstone of this hegemony, providing the core with the structural capacity to enforce compliance via the SWIFT architecture.

The discussion of Iran's strategic pivot toward a yuan-denominated framework under the 2021 China-Iranian Strategic Cooperation Agreement mirrors recent scholarship on "de-dollarization" and the emergence of alternative financial cartography. Scholars such as Benjamin Cohen have long theorized the potential for a "currency hierarchy" to be challenged, and the findings presented here suggest that Iran's pursuit of a bipolar dependency is a calculated effort to mitigate the asymmetric costs of financial exclusion. This shift represents a transition from a state of passive subordination to one of active systemic subversion, echoing the arguments of Giovanni Arrighi regarding the periodic cycles of hegemony, where the exhaustion of the dominant power's coercive instruments leads to the emergence of counter-hegemonic blocs.

Furthermore, the integration of physical geographic leverage specifically the control over the Strait of Hormuz as a tool of financial statecraft provides a compelling synthesis of geopolitics and geoeconomics. The utility of a peripheral state is a function of its strategic financial alliances and its geostrategic geographic advantages. By weaponizing the flow of energy, Tehran effectively increases the transaction costs for the core, thereby diminishing the efficacy of traditional sanctions. This aligns with the findings of Daniel Drezner regarding the "sanctions paradox," where the frequent application of financial isolation eventually incentivizes target states to develop robust, indigenous, or alternative international networks, ultimately undermining the very instrument of control intended to ensure compliance. The erosion of the core's "coercive monopoly" suggests that the global financial order is undergoing a structural realignment. The findings indicate that the petrodollar system is no longer an absolute, self-sustaining architecture but is increasingly subject to the volatility of regional contestation. This transition toward a multipolar financial order suggests that the core's strategy of containment is failing to account for the agency of semi-peripheral states that possess the capacity to disrupt critical nodes of the global supply chain. As the efficacy of the dollar as a tool of statecraft wanes, the core faces a diminishing return on its investment in punitive measures, necessitating a shift from unilateral imposition to multilateral negotiation. This analysis challenges the prevailing neo-liberal assumption that institutional dominance is synonymous with permanent stability. Instead, it posits that the "frictions" generated by states like Iran are not merely temporary anomalies but are symptomatic of a deeper, systemic shift

toward a multipolar financial reality. Future research should focus on the assessment of these alternative trade architectures to determine if the transition away from the dollar is moving toward a stable, fragmented equilibrium or a period of protracted systemic instability. In this context, the survival of the current financial order appears increasingly contingent upon the core's capacity to integrate these disruptive actors into a revised, more inclusive framework, rather than attempting to enforce a status quo that the global system can no longer sustain.

Conclusion

The contemporary global financial architecture is witnessing a discernible erosion of the petrodollar's hegemony, a phenomenon characterized by a significant contraction in the United States dollar's (USD) share of global foreign exchange reserves. According to data provided by the International Monetary Fund (2023), the USD's proportion of allocated global reserves declined to approximately 58.4% by the second quarter of 2023, reaching its lowest level in over two decades. This structural shift reflects a broader de-dollarization trend wherein sovereign entities, particularly within the BRICS+ bloc, are increasingly diversifying their reserve portfolios to mitigate the risks associated with the weaponization of the dollar-denominated clearing systems. The transition toward a multipolar financial order is further underscored by the increasing utilization of the Chinese Renminbi (RMB) in cross-border energy transactions, a development that challenges the historical exclusivity of the dollar in global oil markets.

This reconfiguration of the international monetary system is intensified by a strategic pivot among energy-producing nations toward non-dollar settlement frameworks. Empirical evidence suggests that while the dollar remains the dominant medium of exchange, its utility as a geopolitical instrument has fostered a bifurcation of global trade architectures. As noted by Eichengreen (2022), the increasing preference for bilateral currency swaps and local currency settlements often facilitated by the Cross-Border Interbank Payment System (CIPS) serves to bypass the core-centric hegemony of the SWIFT network. By pricing energy exports in alternative currencies, states like Iran and their primary trading partners are systematically diminishing the "exorbitant privilege" that has historically facilitated U.S. capital accumulation. Consequently, the global financial landscape is transitioning from a unipolar model of institutional coercion toward a fragmented, pluralistic system where the stability of the petrodollar is increasingly contingent upon the systemic risks inherent in total financial bifurcation.

Recommendations

To address the challenges posed by Iran's state resilience and the shifting global financial landscape, the United States should pivot from a policy of maximum pressure to one of managed stability. This strategic realignment is based on three core objectives: 1. Adopt a strategy of regulated integration. Rather than pursuing total isolation, which has historically failed to achieve regime change and instead incentivized the creation of independent, opaque economic networks, the U.S. should formalize a dual-currency framework. By allowing for the transparent, limited use of the yuan alongside the dollar in energy markets, the U.S. can maintain visibility and influence over these transactions. This pragmatic approach prevents a chaotic, rapid abandonment of the dollar and prioritizes global market stability over the pursuit of absolute, unattainable dominance.

2. Prioritize multilateral financial diplomacy. The current trend toward alternative blocs like BRICS is driven by the perception that the dollar-based order is used primarily as a weapon. To address these structural grievances, the U.S. must pursue inclusive reforms within global institutions like the IMF and the World Bank. By granting emerging powers a greater, more meaningful role in financial decision-making, the U.S. can restore confidence in the existing system. This makes the cost of participating in the current order lower than the cost of building parallel, competing architectures, thereby stabilizing the global economy through negotiation rather than exclusion.

3. Establish an energy security pact. The most volatile element of the current geopolitical standoff is the potential for energy chokepoints to be used as tools of coercion. The U.S. should work to decouple the physical security of the Strait of Hormuz from currency and political disputes. By securing a diplomatic agreement that guarantees the free flow of energy in exchange for transparent and predictable pricing, the international community can treat energy as a global public good. Insulating maritime trade from the broader currency war reduces the geopolitical friction that currently drives states to abandon the dollar as a defensive measure. In summary, by shifting toward these more flexible and inclusive strategies, the U.S. can better preserve its structural influence. Demonstrating that the international financial system can accommodate the needs of diverse states even those with significant political disagreements is the most effective way to maintain long-term systemic stability.

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