



CLIMATE VANGUARD

**By blocking  
the Strait of  
Hormuz,**

**Iran is  
challenging  
US global  
hegemony**

Since the US and the Zionist entity launched their war of aggression on February 28th, the Islamic Republic of Iran has assumed control of the Strait of Hormuz, a critical waterway through which over 20% of the world's oil is transported.

**The short- and long-term consequences are immense →**

**Sources:** Fernandes, Peoples Dispatch (2026); Geopolitical Economy Report (2026). **Image:** Smoke rises on the skyline after an explosion in Tehran, Iran, Feb. 28, 2026. AP Photo.



## Short-Term Impact: Global Economic Crisis

The closure of the Strait of Hormuz has caused **major energy shortages and surging prices.** The Philippines, for example, has declared a national energy emergency.

Because of oil's central role in the global economy, **the shock to oil markets is also producing a much wider economic crisis.**

**Rising energy costs drive up the price of all essential goods.** This is especially the case for food, as higher natural gas prices increase the cost of nitrogen fertilisers. Shipping and insurance costs have spiked and borrowing is becoming more expensive, further driving up prices.



## Who is Most Affected?

In addition to terrorising and murdering civilians in Iran and Lebanon, the US-Zionist war of aggression is negatively impacting working people's lives around the world.

Those hardest hit are poorer countries and energy importers, most of which are in the Global South. In the Global North, the working class will also face increasing hardship. In Britain, for example, a quarter of a million people could lose their jobs by the middle of 2027 because of the war's economic impact.



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## Long-Term Impact: Challenge to US Hegemony

By disrupting traffic through the Strait of Hormuz, Iran is also demonstrating its capacity to undermine US control over the global oil trade, one of the central pillars of US hegemony. It has done this by letting certain ships pass through the Strait that trade oil in non-dollar currencies, like the Chinese yuan.

To understand the significance of this manoeuvre, we must examine the intersecting roles of oil and the US dollar in the global economy →



## Oil: *The* Critical Commodity

After World War II, oil gradually overtook coal as the backbone of modern industrial economies, becoming the dominant fuel for transport, industry, and the military. Global capitalism depends on stable energy flows, so control over oil production and transport routes is a key source of geopolitical power.

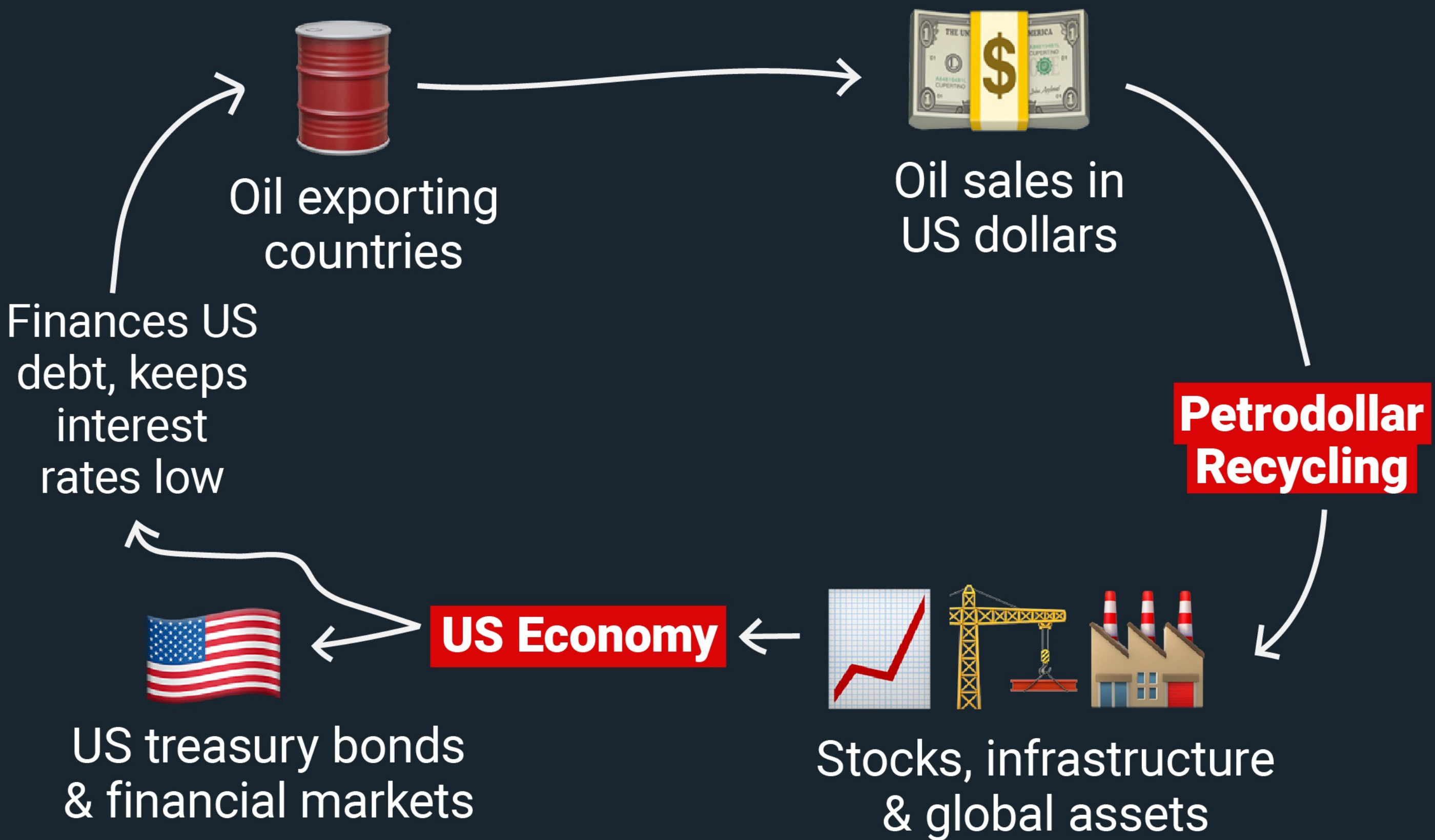
*Source:* Tricontinental (2026).

*Image:* Iran's Abadan oil refinery, the largest in the Mideast in 1945. Dmitri Kessel, Getty Images.



## The Petrodollar System

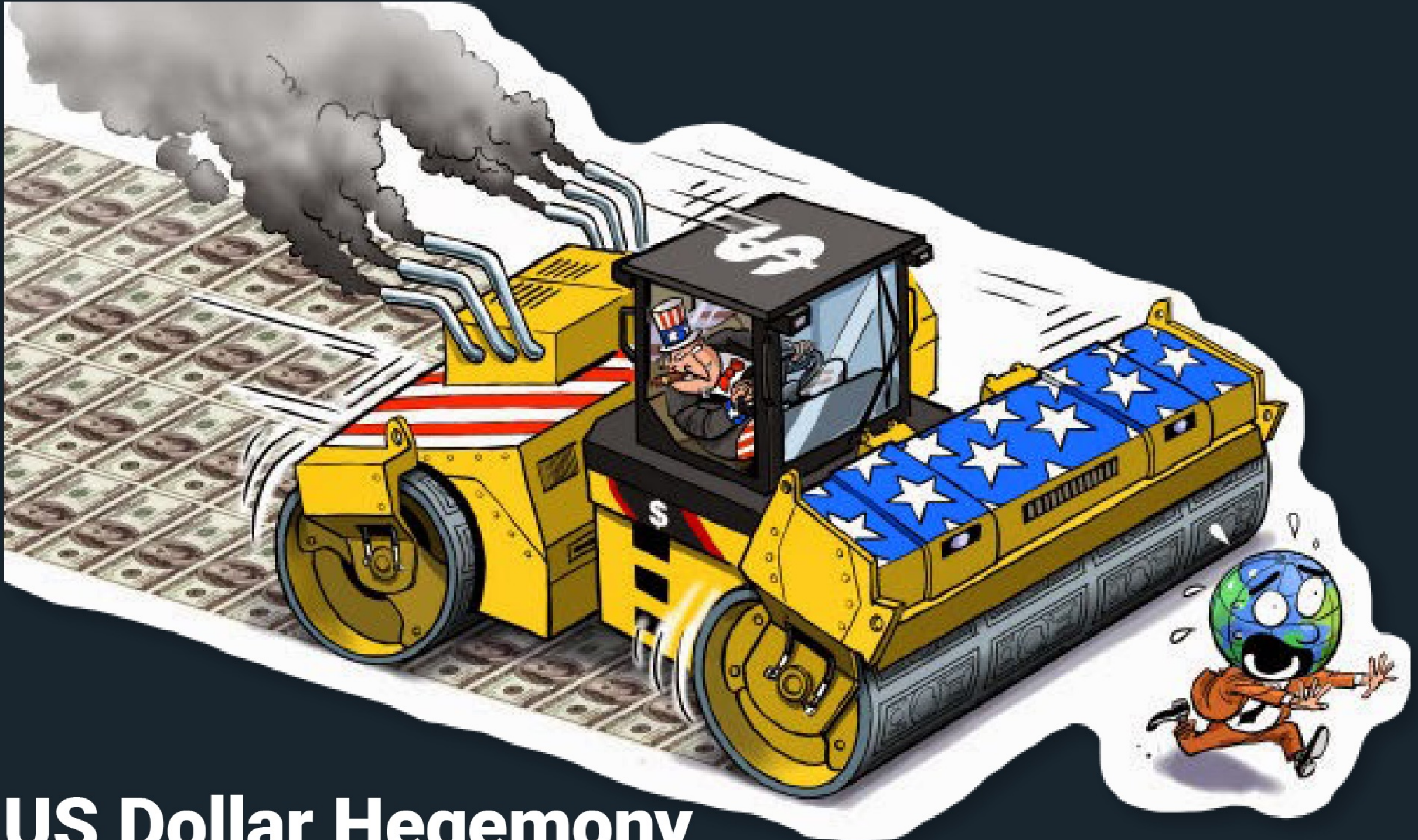
In the 1970s, the US established the petrodollar system in which global oil is primarily priced and traded in US dollars. It did this by striking a strategic arrangement with major oil exporters: in exchange for the global oil trade being conducted in dollars, the US would provide military protection and political backing to Gulf monarchies.



## Petrodollar Recycling

Oil-exporting countries accumulated large dollar surpluses, which were then recycled back into the US financial system through purchases of US Treasury bonds and assets.

This arrangement established **US control over international oil export revenues and helped to cement the US dollar as the world's reserve currency.**



## US Dollar Hegemony

Today, countries need US dollars to not only import oil but also to trade other commodities and pay their debts. For this reason, governments are forced to hold large reserves of dollars, **which they are encouraged to reinvest into US assets. In doing so, they help finance the US economy** and its global military presence.

**This gives the US extraordinary leverage over the rest of the world.** For example, it uses sanctions as an economic weapon against states that resist its dominance, including Iran, which has faced heavy US sanctions since the Islamic Revolution in 1979.



## Making a New World

But Iran's actions in the Strait of Hormuz are threatening the dominance of the US dollar. By forcing oil trade in non-dollar currencies, it is helping build alternatives to the petrodollar system, such as the petroyuan.\*

This opens the possibility of a more balanced energy order, in which Global South countries can engage in trade beyond US control, weakening the financial foundations of US hegemony and further strengthening the emergence of a multipolar world order.

**\*Note:** The “petroyuan” refers to the practice of pricing oil in Chinese yuan as opposed to US dollars.