

The U.S.–Iran War in the Context of U.S.–China Goeconomic Rivalry

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This article discusses the goeconomic dimension of the U.S.-China strategic competition and the impact that U.S.-Iran military escalation has on it. It says that conflict in the Persian Gulf has a great impact on the competition among great powers on the issue of energy insecurity, disruptions in sea routes, vulnerability of supply chains, sanctions, inflation pressure and strategic diversion. It's a qualitative explanatory case study methodology with thematic analysis of academic literature and policy reports, statements and strategic assessments. The outcomes indicate that the oil & gas unrest in the Persian Gulf will entail more expense on energy and shipping costs for China, hinder manufacturing competitiveness and speed up diversification of supply chains. Meanwhile, U.S. involvement in the Middle East could distract from military and diplomatic focus on the Indo-Pacific region, providing some strategic room for Beijing. The outcomes of both these conflicts are also fingerprinting goeconomics with technological self-reliance, friend-shoring, economic security policies, and alternative institutional networks. Finally, the article argues that the threat of militarization in the region and the competition in international trade will be mutually reinforcing and require coordinated regional crisis management, energy resilience, maritime security cooperation, and economic policy.

Keywords: U.S.–Iran War; U.S.–China Rivalry; Goeconomics; Energy Security; Supply Chains; Strait of Hormuz

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I. Introduction

Today, war, force, economy, technology and insecure supplies drive the growth of the current international system. The events of 2026 showed the United States, Israel and Iran taking action in a region that could have an immediate impact on the larger issues of energy security, maritime access and great power rivalry. On 28 February 2026, the United Nations Secretary-General expressed concern on the use of force by the United States and Israel to attack Iran, and the war to which Iran responded, might jeopardize peace and security in the world. Thus, the war provides a pertinent experience to study the impact of a Middle East armed conflict on the goeconomic competition between Washington and Beijing (United Nations, 2026).

The Persian Gulf is at the heart of this connection as the Strait of Hormuz is one of the world's main supply routes for energy. Oil flows of almost 20 million barrels per day were traversing the strait in 2025, whereas other routes could only move a small part of that flow. The focus on energy puts in jeopardy oil prices, shipping insurance, freight costs, and inflation expectations in a flash from attacks on energy infrastructure, shipping restrictions, and longer periods of insecurity. The region's importance to the global economy was highlighted during the IEA's 2026 emergency response when the IEA responded with the largest ever coordinated oil-stock release (International Energy Agency 2026; U.S. Energy Information Administration 2025).

China is especially vulnerable to any instability in the Gulf, since it has a politically-oriented shipping industry and an industrial economy requiring energy imports. RAISED fuel prices and shipping costs may be all to the detriment of production costs, export competitiveness and economic planning. These risks are significant since the economic warfare against the United States by China has already gone beyond tariffs and into semiconductors, artificial intelligence, telecommunications, investment restrictions, industrial subsidies, and

supply chains. Empirical studies indicate that the trade war caused significant international economic costs, a reallocation of trade and a reallocation of production and sourcing (Amiti et al., 2019; Fajgelbaum & Khandelwal, 2022).

The intertwining of the two wars can be grasped using the term "weaponized interdependence. Central nodes within global financial, technological, logistical or information networks can be used by states to keep track of, or to prevent or act on other actors. The United States has some significant influence via dollar-based finance, export control, high-tech networks, sanctions and maritime security alliances. On the other hand, China has scaled up its manufacturing capabilities, reached access to the markets and coordinated infrastructure funding, as well as increased strategic leverage thanks to its integration into the global production chains, to become less vulnerable and gain in leverage. These dynamics are worsened by the Persian Gulf conflict, with the energy routes and shipping networks becoming a leverage point (Farrell & Newman, 2019).

The war also adds to the geoeconomic disintegration. Increasingly, governments and companies reshape trade and investment, not just on cost-efficiency considerations, but to fulfil security and political criteria and to be resilient. All of these are part of friend-shoring, nearshoring, strategic reserves, export controls, and industrial policy as measures to cut ties with sensitive suppliers and routes. Fragmentation can harm the economy through several channels, mostly identified by the International Monetary Fund as trade, capital flows, technology diffusion, migration, and global public goods. Military upheaval in the Gulf could further drive this trend by heightening concerns about concentration of energy and dependence on supply routes represents an unacceptable strategic risk (Aiyar et al., 2023).

The ramifications are, however, bi-directional: Sustained American military presence in the Middle East, however, will shift diplomatic, intelligence, military, and political resources away from the IndoPacific, even as China becomes vulnerable to Gulf instability, given its energy reliance. While China is vulnerable to the threats of Gulf instability given its energy dependence, long-term American military involvement in the region may also divert diplomatic, intelligence, military, and political resources from the IndoPacific. Furthermore, Beijing may try to prove itself as being supportive of stability, development, and "abstention" as it tries to diversify its energy supplies and transportation routes. If the United States overextends itself, the war could thus harm China's economy, and might offer a few strategic and diplomatic opportunities.

These developments are troublesome and present the notion of increased economic interdependency as a recipe for greater political stability with a course of correction. They disconfirm the idea that increased economic interdependency always brings political stability. The World Trade Organization has said fragmentation need not be inevitable, and can actually create more resilient and secure trade ties by expanding trade relations and increasing their diversification. However, in the current geopolitical dynamic of war, sanctions, tariffs, technology measures and supply chain reconfiguration, interdependence has led to both positives and negatives. The key question then is not whether the U.S. and China are economically interdependent, but how they mitigate and capitalize on the risks that their interdependency poses (World Trade Organization, 2023).

Studies of the U.S.-Iran conflict and the U.S.-China trade war generally focus on either one or the other. Research on Iran "ignores" the U.S.–China rivalry, while research on the U.S.–China rivalry "ignores" nuclear diplomacy, sanctions, regional security and energy markets. There has been a neglect on the part of the discussion of how military escalation by the various states comprising the Persian Gulf would affect the environment in which U.S.–China competition plays out. The purpose of this article is to fill this void, by examining conflict as both a regional security crisis and a geoeconomic shock. There are three questions formulated in the study. First, what impact will the U.S.-Iranian weapons build-up have on the security of China's energy supplies, industrial operating costs and supply lines? Second, what may be the consequences of the long drawn out U.S. presence in the Middle East on Washington's capacity to maintain the competition in the Indo Pacific? Third, which meanings does the overlapping conflicts give on the global economic governance, geo-economic fragmentation and weaponised interdependency in future?

It is an explanatory qualitative case-study design based on the thematic document analysis. It looks at research papers academically reviewed, official energy statistics, reports from international organisations and policy documents. The analysis focuses on five distinct areas of energy vulnerability, maritime disruptions, supply-chain resilience, economic statecraft, and institutional fragmentation. The article brings a regional dimension of conflict into the analysis of global economic competition and as a result makes a significant and useful contribution to the fields of conflict studies, international political economy and geoeconomics.

II. Literature Review

- **Geoeconomics and Weaponized Interdependence.** There are no hard boundaries between the use of military power and economic policy as presented in geoeconomic literature. New areas of strategic competition include trade, finance, technology, energy, infrastructure and supply chains. For competing states, tariffs, sanctions, export controls, financial restrictions, investment screening, and industrial policy

are methods used to impact competition. This is important because the shifts in stability in the Middle East can have an impact on Washington's and Beijing's power leverage. The overall theoretical base is presented by the concept, known as “weaponized interdependence”, of Farrell and Newman. They say global networks are not apolitical and states with well-connected financial, technological, or informational nodes may exploit this leverage from domestic surveillance and exclusion. Their model typology identifies two aspects of the “panopticon effect”: the ability to collect information and the “chokepoint effect”: the ability to limit access to important services or markets. It captures the rationale behind the operation of the different types of sanctions and export control, financial exclusion and technological restrictions in the arena of great power competition. The United States' influence is exercised through dollar-based financing, technologies, sanctions and export controls. The advantages that the Chinese have in the negotiations are scale, market access, and global production networks. The energy and maritime transport dependence of commercial routes comes in addition in the region of the Persian gulf, due to its instability. In the Persian gulf, there is an overlaying of the traditional dependence on energy and maritime transport, making the commercial routes a strategic vulnerability (Farrell & Newman, 2019).

- **U.S.–China Trade and Technology Competition.** Research on the U.S.–China trade war shows that its effects extend beyond bilateral. The impact of the U.S.-China trade war revealed itself to be more profound as indicated through the research works on the U.S.-China trade war which showed that its effects are felt outside the simple trade balance. Amiti et al. (2019) determined that current summative tariffs put in place in 2018 mainly imposed on U.S. importers and consumers instead of on foreign producers. Protectionist measures could cause higher domestic prices, lower welfare, and problems in firms that rely on imported intermediate goods, and can thus be costly for the imposing state as well. Bristow et al. (2022) also reflect that the trade war had a re-distributional impact and led to changes in trade and trade-sourcing patterns, with different effects on consumers, producers, workers and regions. Tariffs prompted companies to re-think production locations and suppliers. The conflict then began to shift from a trade deficit to a larger industrial capacity, technological innovation, investment and supply chain control contestation. Today the economic and security aims are combined. Restrictions in semiconductors, telecoms, AI, advanced manufacturing and investment flow are gaining more and more justification as becoming national security threats. These pressures could be exacerbated by a developing Persian Gulf supply energy crisis, which could lead to increased transport and production costs. But, research for trade war does not focus on the impact of Middle Eastern wars on the economic environment of U.S.- China competition, as tariff and technology barriers could influence energy-price shocks and shipping disruption (Amiti et al., 2019; Fajgelbaum & Khandelwal, 2022).
- **Energy Security and the Strait of Hormuz.** Energy-security scholarship underscores the fundamental ties between economic power, affordable energy and secure transportation routes. The Strait of Hormuz plays an important role for transporting goods between the Persian Gulf and international markets. In 2024, some 20 million barrels of oil passed through every day, which is nearly 1/5th of the world's petroleum liquids consumption. Additionally, approximately 20% of the global liquefied natural gas trade went by Hormuz, while other pipelines have the capacity to replace only a fraction of what was disrupted (U.S. Energy Information Administration, 2025). The Asian economies are especially at risk. The main crude oil and condensate imports to the strait include such majors as China, India, Japan and South Korea. Energy prices, freight costs, insurance prices and delivery schedules, as well as industrial planning, outside the Middle East can be impacted as a result of a conflict involving Iran. With only a partial closure, the costs and uncertainty of importers, shipping companies, and investors to the economic risk from military conflict may increase (U.S. Energy Information Administration, 2025). This exposure is most definitely a head-to-head race competing with the U.S. for China. Increased manufacturing, logistics and export costs can result from higher oil and transport prices. Beijing has tried to mitigate these risks by developing supplier diversification, building strategic reserves, investing in renewable energy, and establishing over land connectivity. However, with the nature of maritime energy commerce, such action will offer no relief from the exposure of the Persian Gulf. Thus, Hormuz is not just a chokepoint geographically, but also geoeconomically.
- **China–Iran Relations Under Sanctions.** The influence of China–Iran relations, though significant, is limited. Scita (2022) maintains that along with raising China's caution, the sanctions granted opportunities for cooperation. China is Iran's key trade partner and energy importer, and vice versa; and Beijing has access to Iranian supplies and a state willing to have alternative international arrangements. But China also wants to maintain greater relations with other Arab Gulf countries, Europe and the U. S. This suggests that China and Iran are “formal” allies, which is a description that has never been a reality. Although their interests overlap in a series of countries, like energy trade, their transposition of opposition to unilateral sanctions, and strategic autonomy, this cooperation provides differing priorities. While Iran is asking for greater political and economic involvement, China is interested in commercial and diplomatic opportunities, rather than in the Middle East conflict itself. Therefore, the sanctions add to the cooperation

and highlight its boundaries (Scita, 2022). The U.S.-China Economic and Security Review Commission, which was created by the 101st Congress, also deems the link to be wide but unbalanced. It recognizes China's status as Iran's primary oil buyer, and its role as a key diplomatic player, and states that Beijing has not “pledged formal defense commitments” and has engaged in “voluminous military activity” with Iran. China also harmonizes Iran relationships with broader Middle Eastern issues. The dilemma for Beijing is this: It wants to protect Iranian energy sales, yet it's also against greater measures of sanctions. But direct action would risk jeopardizing other ties, causing greater risks to run into conflict with Washington (U.S.–China Economic and Security Review Commission, 2026).

- **Supply Chains and Geoeconomic Fragmentation.** There is greater focus on a military and trade conflict in geoeconomic-fragmentation literature. According to the Aiyar et al. (2023), fragmentation is a strategic reversion to economic integration underpinned by policy. These effects can be realized via trade, capital movement, payments, technology transfer, labour transfers and global public goods. The dangerous process of fragmentation can also limit access to technology, slow down efficiency and diminish responses to common problems on the international front. The World Trade Organization (2023) warns that fragmentation is not necessarily the source of more security. Broader trade ties could enhance the resilience of the sector through other sources of supply in crises. The WTO thus embraces the notion of re-globalization, defined as increased but not exclusive globalization, and not as “global lockdown” or “big squeeze.” Strategies to de-risk dependency on China or Middle Eastern energy or fuels can result in new vulnerabilities if energy production becomes concentrated in politically aligned groups. The primary dynamic is between resilience and efficiency. It may be possible to limit disruption but increase costs as a result of the use of redundant suppliers, inventories, and regionalized production. The challenge is to create a variety of interdependence this way that not any one road, supplier, or network turns into coercive leverage (World Trade Organization, 2023).
- **Conflict Spillover and Research Gap.** Conclusions are drawn from literature. States with central network nodes can strategically leverage it for global economic networks, the U.S.-China trade war has created welfare implications and escalated into technology competition, Hormuz is an essential energy chokepoint, and the military and economic insecurity is driving fragmentation which is limited, but not prohibited, by China's unwillingness to commit military obligations in cooperation with Iran. Despite the insights, there exists a lack of integration of the relevant literatures. Trade-wars research sheds light on tariffs, industrial policies, and technology competition; Iran-focused studies focus on sanctions, nuclear diplomacy, and regional security; energy studies highlight chokepoints and market vulnerability; and fragmentation studies look at trade and financial restructuring issues. There are few studies that provide any understanding of how armed conflict with Iran changes the geoeconomic context in which U.S.–China competition plays out.

III. Research Methodology

- **Research Design.** This study utilizes qualitative explanatory case – study design to explore the impact of 2026 U.S – Iran armed conflict on the geoeconomics environment of U.S – China strategic competition. This design can be used to explore a current phenomenon that is context dependent, which includes in the context of military escalation, energy insecurity, maritime disruptions, economic statecraft and great power rivalry (Crowe et al., 2011). As the case expands, it looks as if it began on 28 February 2026, when Israel and the United States launched an attack on Iran, spawning more general conflict, and continues through to the collection date of 18 June 2026. The geographic range encompasses the Persian Gulf, Strait of Hormuz, Middle East energy corridors and the entire U.S.-China strategic landscape. The unit of analysis is regional conflict spill-over in energy markets, supply chains, industrial competition, and strategic resource allocation.
- **Documentary Analysis and Source Selection.** This study employs “qualitative document analysis” methods, which involve systematically analyzing or understanding written evidence (Bowen 2009). This corpus also contains articles published in peer reviewed journals, official documents issued by governments and IGOs, reports generated by key economic and energy-related institutions and selected strategic assessments. Data sources included the United Nations, U.S. Energy Information Administration, International Energy Agency, International Monetary Fund and World Trade Organization. When there was no official evidence, news items were relied on to create the chronology. These sources were found in the combinations of terms associated with the U.S.–Iran conflict, the Strait of Hormuz, China's reliance on Iranian energy supplies, China/Iran relations, the U.S. energy dependence on China, U.S.–China trade competition, geoeconomic fragmentation, weaponization of interdependence, supply-chain resilience, and strategic overextension. Purposive (not statistically representative) selection. Sources were chosen since they focused specifically on the problem and came from peer-reviewed or authoritative institutions and offered verifiable bibliographic information, a DOI or a stable institutional link. Materials, particularly

from non-conforming sources, that were irrelevant, unsupported, duplicated and/or incorrectly cited were not included.

- **Data Analysis.** A hybrid deductive – inductive thematic analysis was used. The research questions and the conceptual framework were followed by deductive coding, and another pattern within the documents was captured by the inductive coding. Thematic analysis is a tool that can be used to identify and interpret the recurrent patterns and themes in qualitative data (Braun & Clarke, 2006; Castleberry & Nolen, 2018). This analysis included document familiarization, preliminary coding, clustering codes into themes, cross typologizing, modification of themes according to the research questions, and creation of an analytical narrative. This analysis comprised document familiarization, initial coding, code categorization into themes, comparison of documents from different types, modification of themes in the light of the research questions, and the development of an analytical narrative. The themes used for this analysis were energy vulnerability, maritime disruption, supply-chain resilience, economic statecraft, strategic diversion and geoeconomic fragmentation. Systematic comparisons of the academic, official and policy sources occurred through the use of a framework matrix (Gale et al., 2013).
- **Trustworthiness and Ethics.** This was supported by the use of a claim–evidence matrix, source triangulation, supporting inclusion of contradictory evidence, and an audit trail of documents, which documented inclusion, exclusion, coding and thematic decision making. The study further sorted out verified events from analytical interpretations and conditional projections. These procedures contribute towards trustworthiness, reliability, verifiability, transparency, and consistency (Nowell et al., 2017; Tracy, 2010). Reporting adheres to norms of Standards for Reporting Qualitative Research: Design and context, source selection, analysis and interpretation, and limitations. This research is conducted in a non-clinical setting without involvement of human participants, interviews, or confidential records nor personally identifiable information. So informed consent wasn't required. Care was taken to maintain academic integrity by using legitimate citations and bibliographic verification (O'Brien et al., 2014).
- **Limitations.** The conflict remained evolving at the data cut-off, and later developments may alter The interpretation presented in this artifact is not finalized as the conflict continued to develop at that moment in time and may be influenced by events that were yet to occur. Secondary sources restrict access to confidential decision-making and institutional/policy documents may provide a limited perspective of priorities. The qualitative design looks for plausible relationships and does not present an exact econometric causal relationship between the conflict and alterations in trade or inflation or changes in industrial output. The area of focus might also be biased in the English-language course, and the necessary Persian, Chinese, Arabic and other regional scholarship will not be known. Findings should thus be analyzed theoretically and not statistically.

IV. Findings

The thematic analysis resulted in six main findings on the U.S.-China geoeconomic rivalry in relation to the possibility of an armed conflict between the U.S. and Iran in 2026. The results suggested that military escalation in the Persian Gulf has a significant impact on great power competition by disrupting the flow of energy resources, creating potential problems related to the security of the seas, increasing the costs of industries, adapting supply chains, economic maneuvers, and strategic use of resources. The conflict represents a geoeconomic jolt to go along with the security shock that struck the Middle East, with ramifications beyond the immediate security context.

- **Persian Gulf Conflict Produces a Global Energy Shock.** The first thing to understand is that the main driver in the U.S.-Iran conflict spreading to the rest of the world economy is the disruption of energy supply and sea transportation. The Strait of Hormuz is not only a regional strait - it is an integral part of the global system of oil and liquefied natural gas. After some 20 million barrels of oil flow each day through the strait in 2024, representing some one-fifth of global petroleum-liquids demand. In the case of a possible long-term closure or significant disruption in maritime traffic, the capacity of alternative pipelines to replace the majority of maritime traffic is not adequate (U.S. Energy Information Administration, 2025). The war proved that military threats on infrastructure and the limitations on the traffic of tankers could spread military risk much faster into commodity prices, shipping markets, and industrial expectations. The apparent escalation triggered significant volatility in oil prices at the International Energy Agency (IEA) as well as disruptions to Middle East supplies and tanker movements. These developments lowered energy availability, the level of uncertainty, and economic expectations outside of the conflict zone (International Energy Agency, 2026).
- **China Faces Disproportionate Energy and Industrial Exposure.** The second is that while the same is true for the United States, it is China that is directly affected more by disruptions in Persian Gulf energy supplies. A significant amount of oil and gas passing by Hormuz is going to Asian markets and China is one of the largest oil importers. Because of the nation's known reliance on energy, its manufacturing, transportation, petrochemical, and export industries are therefore vulnerable to energy price shifts and/or

maritime delivery costs. Several related channels impact China with the price increase in energy prices. They contribute to higher costs for energy (sensitive) industries, higher transportation costs and costs for logistics, lower competitiveness of export-oriented industries, and make macroeconomic and industrial planning more complex. These effects are especially pronounced given that Chinese companies are already dealing with tariffs and limitations, smaller external demand, and redrafting supply chains (U.S. Energy Information Administration, 2025).

- **China–Iran Cooperation Is Significant but Constrained.** Third, China–Iranian relations are a symbiosis that offers economic and diplomatic advantages but is not an “all-encompassing security pact.” Iran gains from China in terms of trade, energy imports, investment, diplomacy in particular under the sanctions of the west. China has secured energy sources, and develops a geopolitically strategic arrangement with a nation on the strategic crossroads of the Persian Gulf, Central Asia and energy networks in the rest of Eurasia. The documentary evidence also indicates, however, that Beijing weighs the Iran relationship against Bayar's bigger interests. China's economic ties with the United States, with Europe and the United Arab Emirates and other Gulf countries are still strong. Military involvement by them on Iran's side may break these ties and result in a rise of chances for the Chinese side to be drawn into more conflict with Washington. The war situation thus sets Beijing on a tightrope. China will have incentives in its favor for keeping energy lines open, for resisting unruly escalation, and for not becoming directly involved in military actions, but will have incentives for being with the resistance to sanctions expansion. The diplomatic approach, commercial adaptation, circumventing sanctions, energy diversification and regional stability messages were the most probable reactions from the Chinese side identified in the literature (Scita, 2022).
- **The Conflict Compounds Existing Trade-War Costs.** The fourth finding is that Persian Gulf escalation does not create an entirely separate The fourth is that escalation in the Persian Gulf does not affect the economy in a completely new way, it just adds to the economic costs associated with U.S.–China trade actions. Studies of the 2018 tariffs identify several instances where the majority of the tariff burden was passed on to U.S. importers and/or consumers, but not passed through entirely to Chinese exporters. Tariffs raised costs of imports, had a detrimental impact on welfare and costs to firms that relied on intermediate products from abroad (Amiti et al., 2019). Future studies show the trade war had different impacts on trade routes, source decisions and consumers, producers, workers and regions. These results reveal that there are adjustment costs in interconnected production systems even when there is economic competition – not inflicted by only one player (Fajgelbaum and Khandelwal 2022).
- **Maritime and Financial Networks Become Instruments of Strategic Power.** The fifth finding is that the war serves as a case study for the widely observed importance of the roles of network centrality. Connectivity, that's the capacity to produce benefits as a result of global economic networks, yet the states possess strategic roles that allow them to track transactions and implement sanctions, limit access and sway various actors' activities. Financial systems, insurance markets, technology, shipping and energy choke points can then therefore be instruments of coercion. The USA has leverage over dollar finance, sanctions and enforcement, partnership with sea transport, and advanced technologies. Such conflict could enhance the ‘felt need’ for these tools and elevate the focus on oil transactions, shipping movements, shipping insurance and circumvention of sanctions against Iran. China has the possibility of gaining leverage, however, through its manufacturing capabilities, access to markets, commercial networks, and infrastructure investment (Farrell & Newman, 2019).
- **Conflict Accelerates Diversification and Fragmentation.** Finally, military escalation and trade rivalry makes it more compelling for firms and governments to focus on resiliency over maximum efficiency. The U.S.–China trade war had already served as a reminder that it is essential to diversify manufacturing, diversify supply chains, invest in friend countries, look to nearshoring options, and make strategic stocks instead. However, these strategies are further reinforced by the instability in the Persian Gulf, which brings into corporate and government plans the elements of energy availability, maritime security, and insurance risk. Trade, capital inflows, payments, technology transfer, migration and global public goods are all significant geoeconomic fragmentation channels, according to the International Monetary Fund. Fragmentation can cushion exposure to specific states or roads but it can also have a negative impact on productivity, higher rates of duplication, less technological diffusion, and less efficiency of multilateral cooperation (Aiyar et al., 2023). The World Trade Organization also concludes that diversifying international trade is more effective at strengthening resilience than full-separations. It is a political policy to swap in one concentrated dependency for another one aligned by politics may only be a form of relocating vulnerability. Evidence thus indicates a trend to diversification and expansion of sources of supply in the form of alternative suppliers, not in the form of separated economic blocs (World Trade Organisation, 2023).
- **Overall Finding.** All those factors combined suggest that the U.S.–Iran conflict has constraining and enabling potential effects on U.S.–China rivalry. It will expose China to the energy prices and maritime

dangers of Middle Eastern waters, as well as to industrial costs; however it also implies a need to spend more military and diplomatic effort in the Middle East on the U.S. part. Sanctions and maritime networks could bring leverage to the United States, while at the same time they could be facing inflation, commercial disruption and strategic overextension. This central discovery is that as the conflict unfolds, there is no clear, one sided advantage for either side to be given. It alters the competitiveness conditions and raises costs, uncertainty and pressures for economic adaptation. We have turned a global geoeconomic rivalry and regional military conflict into reinforcing forces of an increasingly fracturing international order.

V. Discussion

The results reveal that the 2026 U.S.-Iran armed conflict is not a regional military conflict. Its effects ripple through energy markets, shipping portlogs, the competitiveness of U.S. industry, trade and supply lines, as well as the U.S.-China strategic competition. The conflict demonstrates how regional security emergencies work within the framework of economic networks and how dependence in the economy influences strategic decision-making on escalation.

- **Regional Conflict as a Geoeconomic Shock.** An abnormal level of insecurity can lead to higher insurance rates, delays in delivery, rerouting and speculation patterns that trigger price increases. These impacts increase uncertainty for governments and firms and costs. Modern warfare leaves us with a delicate area of overlapping fields in using war as a tool for economic policy. The energy security and inflation issue, industrial resilience, and supply-chain continuity, become a part of the conflict environment. The ultimate impact of armed conflict in the Persian Gulf is felt in various ways, such as through the price of oil, transport delays, insurance premiums, tanker operations and industrial planning, and is thus a geoeconomic shock. Since the Strait of Hormuz is very important for petroleum and liquefied natural gas, it takes just a short time for countries on the other side of the conflict to feel the pain. The impacts reflecting not just the destruction, but also the location of the conflict within the global trade and energy networks, vary accordingly (International Energy Agency, 2026; U.S. Energy Information Administration, 2025).
- **Weaponized Interdependence and Network Power.** The U.S. has global financial, technological, sanctions and maritime strengths. In a conflict with Iran, these benefits could only enhance Washington's capacity for surveillance of energy trade, limit access to financial institutions, affect shipping firms, and affect payment options. The indirect impact on China is due to its reliance on international transportation and financial systems as its source for energy imports and business activities. China also has network power in terms of the size of the manufacturing sector, the size of the Chinese market, the volume of infrastructure investment, and exports to global value chains. Beijing can provide market access, funds, construction services, etc., for these countries that are facing Western sanctions. The conflict is thus not a harmonious one in which Americans are strong and the Chinese are weak. Both states have various types of network centrality and want to minimise being exposed to the other's benefits (Farrell & Newman, 2019).
- **China's Energy Vulnerability and Resilience.** China is also heavily reliant on outside energy sources, giving it less competition than the United States. Even though US prices for oil and inflation are also higher, manufacturing and export industries in China are vulnerable to a persistent rise in industrial input costs, freight and fuel. Tariffs, technology restrictions and lower demand can contribute to putting pressure on Chinese performance in the form of energy insecurity. But China has state capacity, foreign exchange, strategic reserve, renewable energy investment and diversified connections. Beijing can provide subsidies, price controls, supply deals, infrastructure investments and other means of payment to reduce the impact of the disruption. Thus the only apparent impact is on the costs of adjustment, not on competitiveness. The effect depends on the length of the disruption and how market systems adapt and react to the disruption as well as on what market policies are implemented. The Gulf unease could spur investment in renewables, oil reserves, overland pipelines, and other suppliers. Future dependence, then, might decrease when an entity is vulnerable at a short time.
- **Strategic Overextension and American Leverage.** The U.S. finds itself in a similar situation. The ability to exert military pressure, sanctions, intelligence operations, and influence over maritime and financial systems could give Washington leverage. But if UNC is to continue engagement with the Middle East, it is diverting resources and attention needed for contestation in the Indo Pacific region. Strategic overextensions happen when commitments are made to and sustained beyond the resources or level of political attention available. The U.S. needs to try to stop Iran, defend its regional allies, prevent escalation, back operations, and continue to pressure China. Such a long war would likely involve more naval forces, fighter planes, intelligence, diplomacy and money. These pledges can constrain flexibility in other areas or raise concerns within the country. China could win diplomatic "space" in looking to be diplomatic patrons of negotiation, sovereignty and predictability. However, the potential of the United States and alliances

allows for operations in multiple areas. The cost and complexity of U.S. strategy are thus raised due to the Middle East conflicts rather than eliminated, while also potentially complicating competition with China.

- **China–Iran Relations and Strategic Limits.** China–Iran partnership hinges on energy trade, resisting sanctions, infrastructure, politics, and strategic independence. But the relationship is asymmetric and isn't an unconditional military alliance. China is Iran's friend, energy supplier and counterweight in diplomacy. Although Iran is seen as a desirable partner for China for its resources, geography and importance in achieving this connectivity, the Chinese government has to weigh all this against its relations with Saudi Arabia and the United Arab Emirates (UAE), other Gulf states, Europe and the United States (Scita, 2022).
- **Supply-Chain Resilience and Fragmentation.** Rise of Persian Gulf instability and U.S.–China rivalry spurs speedup of supply-chain restructuring. Rise of Persian Gulf instability and U.S.–China rivalry drive fast pace of supply-chain restructuring. Political stability, energy availability, transportation security, sanctions exposure, and alliance relationships are becoming important business metrics used to evaluate suppliers and production sites. While cost efficiency is still a factor, it has fallen out of favour as a basis for choosing between investments. The trade war had already spurred companies to diversify supply sources and lessen their reliance on China's manufacturers. Prior studies have demonstrated that tariffs had a significant impact on prices, welfare, source of supply, and economic costs. Networks adjusting to trade and technology restrictions have been seeing additional energy and shipping hassles from gulf instability (Amiti et al., 2019; Fajgelbaum & Khandelwal, 2022). Diversification can enhance resiliency through alternative suppliers, inventory holding and multiple routes. However, multiple production can decrease efficiency, lead to increased inventories, and logistics chain alternatives along with politically driven sourcing can make prices higher. The potential impacts on technology diffusion, loss of investment, and coordination may also be due to fragmentation (Aiyar et al., 2023). According to the International Monetary Fund, fragmentation can take many forms, including trade patterns, capital flows, payments, technology, migration, and global public goods, all of which will lead to lowered output and cost high prices for the states relying on rival networks. In fact, the World Trade Organisation believes that resilience could be enhanced by allowing for broader and more diversified trade, not blocs. No, the right answer is a decrease in ratings and concentration, not a subtle decrease in decoupling (World Trade Organization, 2023).
- **Global Governance and Emerging Order.** The working out of the conflict highlights gaps in the international system of economic oversight. Institutions are typically sided by different departments and sub-sectors (security, energy, commerce, finance) and crises transcend these boundaries. The crisis in the Persian Gulf can have an impact on oil markets, shipping, sanctions, food prices, monetary issues, industrial production and technology competition all at once. All these dimensions are not exclusively covered by a single institution and coordination is limited. The broader context is a multipolar, polycentric world order in which both military power and economic influence, technology, energy sources, and network control are overlapping factors generating power. Washington and Beijing don't get a clear-cut advantage. China has trade and industrial advantages with lower energy and industrial price costs but opportunities for diplomatic levers; the U.S. has chances for sanctions, diplomatic and maritime leverage, but trade and industrial costs and risks of overextending. Integrated policy is thus essential to good conflict management. The planning of the military needs to be aligned with energy policy, trade policy, financial policy, technology security, and the ability of the supply chain. Vulnerability results from over-dependence, and inefficiency, distrust and insecurity follow from extreme fragmentation. The sustainable mode encompasses multiple interdependencies and securing infrastructure, crisis-management and co-operation on maritime and energy security.

VI. Conclusion

This article analyzed the 2026 U.S.–Iran armed conflict's impact on the geoeconomic aspect on U.S.–China strategic competition. The core for all the arguments is the notion that military escalation in the Persian Gulf cannot be regarded as a natural occurrence in the region's security context. The war's impact began to ripple across oil markets, shipping, insurance, industrial prices and costs, supply chains, and sanctions enforcement and strategic resource allocation, as this is a very important energy and maritime corridor. In effect, the war is a reflection of global economic networks as the means of modern warfare. The first research question was related to how the escalation in the Persian Gulf affects China's vulnerability to its energy supplies, the costs to its industries and general energy security. The researchers concluded that China has a significant level of exposure, given its reliance on imported energy, and its use of maritime transportation. The Strait of Hormuz is one of the biggest oil choke point areas in the world and during the war, even partial insecurity did significantly affect both oil supply and prices, freight costs, and commerce expectations. That exposure does not indicate that China is powerless against its economy, but that they will have to pay a higher price to maintain competitiveness of their industries, as Beijing engages with tariff measures, technology limits and supply chain adaptation (International Energy Agency, 2026; U.S. Energy Information Administration, 2025).

The second research question focused on U.S. long-term engagement in the Middle East, and its implications for the U.S. and D.C. competition in the Indo Pacific. The findings suggest that the U.S. has short-term options to use military force, trade restrictions, sea lines of communications, and financial and technological linkages to achieve leverage. The upside of these benefits comes with strategic implications, however. Dealing with a prolonged engagement would be an investment in military resources, intelligence, diplomacy and spending, which could be used for American interests elsewhere. The war thus has a double impact: a more immediate one over energy and sanctions regimes, with Washington's control deepened, and a greater complexity in the broader global commitments. The third research question was concerned with the implications for geoeconomic fragmentation and global economic governance. The study confirmed that armed conflict, tariffs, sanctions, export restrictions and insecurity of the supply-chain drive governments and businesses to focus on resilience and strategic alignment rather than cost-efficiency measures. This upturns the processes of friend-shoring, supplier proliferation, strategic procurement and technology autonomy. Fragmentation, however, also leads to higher production costs, undermines technological transfers, delays institutional cooperation, and endows new types of dependence. Economic security thus cannot be secured by merely erecting barriers to trade between these constricting blocs (Aiyar et al., 2023; World Trade Organization, 2023). The study also shows the strength of the idea of weaponized interdependence. Global economic networks are unevenly arranged in ways that provide benefits to others, but also for others. Central financial, technological, logistical or info nodes can be used to oversee transactions, block or charge access fees by states controlling those nodes. The U.S. still has the key assets of finance, sanctions enforcement, advanced technology, and maritime coordination, along with China having a lot of influence in manufacturing, access to markets, infrastructure development and commercial connectivity. The U.S.–Iran conflict further underscored their strategic significance by situating energy transport, payment channels, and shipping services as more political issues (Farrell & Newman, 2019).

There was no obvious long-term benefit either for Washington or for Beijing. This led to China being more vulnerable to energy and industrial pressures, while also offering the opportunity to position itself as adherent to diplomat, sovereignty and non-intervention principles. The United States had some advantages, which included leverage through military and financial networks, but it was plagued by inflation and economic disruption, and had to be wary of strategic overextension. It is, thus, a bidirectional, rather than unidirectional, link between regional war and global rivalry.

China–Iran relations is an example of what a strategic partnership can achieve. Iran is still significant for China in the energy and trade sectors, and also is a cornerstone of the EAEU. But Beijing must manage its relationship with Tehran alongside its more extensive ones with Gulf Arab nations, Europe and America. It is therefore more probable that China would be willing to negotiate, and to engage in limited economic contacts, and diversify its own energy supply, rather than take on unlimited military obligations on Iran's behalf (Scita, 2022). This is an overall message that regional conflict management is now crucial to global economic stability. Not only is preventing escalation a Middle Eastern security goal, it's also essential to sustaining America's counterbalance to China, maintaining financial stability, managing U.S.–China competition, and securing energy, trade, and supply routes. Finally, the June 2026 peace process emphasised the value of diplomacy and regional mediation in de-escalating tensions further and avoided further escalation, but on-going involvement and institutional backing is needed to reach a lasting resolution to the conflict (United Nations, 2026).

VII. Policy Recommendations

- **Institutionalize U.S.–China Crisis Communication.** The U.S. and China should keep separate communication channels on crisis issues that impact energy routes, sanctions, maritime traffic and food supplies. Dialogue does not call for strategic trust or a forfeiture of/compromise of competition. It is to prevent wrong calculations, make intentions clear and ensure that a regional war does not spiral out of control to become a larger conflict. Effective communication should go beyond the traditional channels of security to include diplomatic, military, energy and economic officials.
- **Protect the Strait of Hormuz Through Multilateral Arrangements.** It is not acceptable only to rely on unilateral military movements to ensure maritime security in the Strait of Hormuz. A vessel navigation incident action group with Gulf States, major energy importers, shipping groups and pertinent international bodies should cover the following areas: navigation of vessels, protection of tankers, reporting incidents, responses to emergencies and communications between naval forces. A significant portion of the global trade of petroleum products passes through the strait, so therefore maritime security should be seen as an international public good, rather than just a means of competition (International Energy Agency, 2026; U.S. Energy Information Administration, 2025).
- **Expand Energy Diversification and Emergency Reserves.** China and other big Asian buyers ought to keep on building up alternatives in the areas of supply sources, transport corridors, petroleum reserves,

renewable energy, and demand management. Diversification will not eliminate a response to global commodity market shocks, but will minimize the impact of restricted reliance on one region or single chokepoint. Resilience to sudden disruption could further be enhanced through better emergency coordination between importing states.

- **Avoid Open-Ended U.S. Strategic Overextension.** What the United States should try to do instead is limited deterrence, maritime security and diplomatic containment instead of an indefinite military campaign. Any Middle East agreement should be analyzed through the lens of geoeconomic, geopolitical, technological, and alliance considerations, such as Indo Pacific deterrence, credibility of allies, geoeconomic stability, technological competition, etc. Military operations should be accompanied by carefully planned political goals and diplomatic means of retreat and limits on escalation.
- **Pursue Diversified Interdependence, Not Complete Decoupling.** While governments and companies have to improve their resilience against single supplier, routes and technologies, completely separating any sectors would incur significant costs and add new vulnerabilities. The focus of supply-chain policy should be on having more than one supplier, alternative routes, inventories which are strategically managed, risk assessment which is transparent and continued supply from international markets. The extensive research on U.S. tariffs also confirms that tariffs can have significant costs to domestic consumers and importing companies, further underscoring the need to limit tariffs to specific cases, not general ones (Amiti et al., 2019).
- **Strengthen Integrated Conflict and Economic Governance.** Enhance coordination among international security, energy, trade, financial and transportation institutions. The dual military-economics impacts of regional wars become simultaneous, and can only be handled effectively through transactional institutions working together. Mechanisms for joint regional and international assessments and information sharing should be created and established by the United Nations, International Energy Agency (IEA), the World Trade Organization (WTO) and international financial institutions. Bigger and speedier responses to energy shortages, shipping disruptions, the spread of sanctions, inflation pressure, and changes in supply chains would be possible with a better integrated governance.

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