

The Strait of Hormuz at the Edge

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This problem situation was written by Lorena Andrea Palacios Chacón (lapalaciosch@tec.mx), supported by AI program (ChatGPT), with the purpose of serving as discussion material in classrooms, it is not intended to illustrate good or bad management practices. The story on this document is based on different people's experiences; some data has been modified at the request of the people and institutions involved.

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Escuela de Negocios



Background: Escalation in the Strait of Hormuz

The Strait of Hormuz is one of the world's most strategically important maritime chokepoints, connecting the Persian Gulf with the Gulf of Oman and the Arabian Sea. In 2022, approximately 21 million barrels of petroleum liquids passed through the Strait each day, equivalent to about 21% of global petroleum liquids consumption (U.S. Energy Information Administration [EIA], 2023). More recent estimates indicate that the Strait ordinarily carries approximately 25% of global seaborne oil trade and about 19% of global liquefied natural gas trade (International Energy Agency [IEA], 2026). Consequently, disruptions to maritime traffic through the Strait can produce significant volatility in energy prices, increase freight and war-risk insurance costs, delay commercial shipments, intensify inflationary pressures, and generate broader disruptions across international supply chains (Chow & Lerh, 2026; Hussain & Saini, 2026).

Image. Location of the Strait of Hormuz.



Source. OpenAI, 2026.

Tensions between the United States and the Islamic Republic of Iran have intensified over the past several years due to disputes surrounding Iran's nuclear program, U.S. economic sanctions, regional security, and Iran's support for armed groups across the Middle East (Council on Foreign Relations [CFR], 2026). The crisis escalated significantly on June 12, 2025, when the International Atomic Energy Agency (IAEA) formally declared Iran to be in non-compliance with its nuclear safeguard obligations (International Atomic Energy Agency [IAEA], 2025). One day later, on June 13, 2025, Israel launched large-scale airstrikes against Iranian nuclear and military facilities, initiating what became known as the *Twelve-Day War* (Stewart & Holland, 2025). On June 21, 2025 (June 22 in Iran), the United States entered the conflict by conducting coordinated strikes against the Fordow, Natanz, and Isfahan nuclear facilities, stating that the operation aimed to significantly degrade Iran's nuclear capabilities (Saul & Jones, 2025).



Iran retaliated on June 23, 2025, launching missiles against the U.S. Al Udeid Air Base in Qatar while simultaneously threatening to disrupt maritime traffic through the Strait of Hormuz (Associated Press, 2025; Li-Yap, Liu & Saul, 2025). Although a ceasefire was announced on June 24, 2025, both governments continued exchanging military threats, maintaining sanctions, and increasing naval deployments in the Persian Gulf (Council on Foreign Relations [CFR], 2026). These developments heightened geopolitical uncertainty, disrupted commercial shipping, increased war-risk insurance premiums for vessels operating in the region, and renewed international concerns regarding the security of one of the world's most critical maritime trade routes (Saul & Jones, 2025; International Energy Agency [IEA], 2026).

As hostilities intensified following the U.S. strikes on Iranian nuclear facilities on June 21, 2025, Iranian officials publicly warned that continued attacks against the country's strategic assets could lead to restrictions on navigation through the Strait of Hormuz, citing national security and sovereignty concerns (Nakhoul & Hafezi, 2025; Stewart & Holland, 2025; International Energy Agency [IEA], 2026). Although the Strait remained open, the possibility of disruption prompted immediate responses from the global maritime industry. Beginning on June 13, 2025, several shipping companies altered sailing routes, instructed vessels to remain closer to Omani territorial waters, delayed departures, and implemented additional security measures to reduce operational risks (Saul, Souliotis & Maltezos, 2025).

Following Iran's retaliatory missile strike against the U.S. Al Udeid Air Base in Qatar on June 23, 2025, concerns over a potential closure of the Strait intensified. Several oil tankers reversed course or temporarily paused their voyages, while war-risk insurance premiums for vessels operating in the Gulf more than doubled within a week, significantly increasing transportation costs (Li-Yap, Liu & Saul, 2025). This heightened uncertainty also contributed to considerable volatility in global energy markets as governments, energy producers, insurers, and multinational corporations reassessed the risks associated with one of the world's most strategically important maritime trade routes (International Energy Agency [IEA], 2026; Saul, J. & Jones, 2025). These developments underscored the vulnerability of global supply chains to geopolitical instability in the Persian Gulf.

By late June 2025, governments, international organizations, and the private sector had expressed growing concern that continued instability in the Persian Gulf could disrupt global trade far beyond the energy sector. The Strait of Hormuz serves as a critical corridor not only for crude oil and liquefied natural gas but also for containerized cargo, petrochemicals, and other commodities that support global manufacturing and supply chains (International Energy Agency [IEA], 2026; U.S. Energy Information Administration [EIA], 2023). Following the military exchanges between June 13 and June 24, 2025, major shipping companies rerouted vessels, maritime insurers increased war-risk premiums, and several governments issued navigation advisories for commercial operators in the Gulf region (Stewart P. & Holland, 2025; Saul, J. & Jones, 2025). These developments prompted manufacturing firms, logistics providers, energy companies, and governments dependent on Gulf exports to call for diplomatic initiatives that would preserve freedom of navigation while addressing legitimate national security concerns (Council on Foreign Relations [CFR], 2026).



The international community has become increasingly concerned that continued instability could disrupt global trade well beyond the energy sector. Manufacturing firms, logistics providers, and governments dependent on Gulf energy exports are urging both countries to pursue diplomatic solutions that preserve freedom of navigation while respecting national security concerns. International organizations and neutral mediators have therefore convened an emergency dialogue involving representatives of Iran, the United States, and the International Maritime Trade Council (IMTC) to negotiate confidence-building measures, reduce the risk of military escalation, and restore stability to international commerce. The outcome of these negotiations will influence not only regional security but also global business confidence and the resilience of international supply chains.

Stakeholders at the Negotiation Table

The emergency negotiation brings together three key actors whose decisions will shape the prospects for regional stability and the uninterrupted flow of global commerce through the Strait of Hormuz. Although all participants share an interest in preventing a wider conflict, each delegation approaches the negotiation with distinct strategic priorities, political constraints, economic objectives, and cultural perspectives. The Government of Iran seeks to protect its sovereignty and national security while preserving its regional influence. The United States aims to guarantee freedom of navigation, safeguard its allies, and maintain stability in international energy markets. The International Maritime Trade Council (IMTC), a neutral organization representing global shipping companies, insurers, energy producers, and major importing economies, advocates for practical solutions that minimize disruptions to international trade. Understanding the motivations, interests, and constraints of each stakeholder is essential for developing effective negotiation strategies and achieving a mutually beneficial agreement.

The Islamic Republic of Iran

The Islamic Republic of Iran enters the negotiation seeking to safeguard its national sovereignty, territorial integrity, and strategic influence in the Persian Gulf. Iranian leaders argue that decades of economic sanctions, military pressure, and foreign intervention have undermined the country's security and economic development. While Iran depends heavily on the Strait of Hormuz for its oil exports (International Energy Agency [IEA], 2026) and therefore has a strong economic interest in maintaining maritime commerce, it also views the Strait as a strategic asset that provides leverage in times of heightened geopolitical tension. During the negotiation, the Iranian delegation aims to reduce military pressure near its borders, secure recognition of its security concerns, and demonstrate to domestic audiences that its national interests have been firmly defended while avoiding a broader regional conflict.

Image. Iran's delegation.



Source. OpenAI, 2026.

The United States

The United States is participating in the negotiation with the primary objective of ensuring freedom of navigation through the Strait of Hormuz, a principle considered essential to international maritime law and global economic stability. As a long-standing security partner of several Gulf countries, the United States seeks to protect commercial shipping, deter further attacks against international vessels, and reassure allies that regional security will be preserved. At the same time, U.S. decision-makers recognize that continued military escalation would increase geopolitical risks, disrupt global supply chains, and negatively affect international energy markets. Consequently, the American delegation must balance a firm security posture with the pursuit of diplomatic solutions capable of reducing regional tensions.

Image. The USA's delegation.



Source. OpenAI, 2026.

International Maritime Trade Council (IMTC)

The International Maritime Trade Council (IMTC) is a neutral organization representing major shipping companies, maritime insurers, multinational energy firms, logistics providers, and countries that depend heavily on international trade. Unlike the governmental delegations, the IMTC has no military or political authority. Instead, its influence derives from its ability to demonstrate the significant economic consequences of prolonged instability in the Strait of Hormuz. The organization is participating in the negotiation to facilitate dialogue, promote confidence-building measures, and encourage practical agreements that ensure safe navigation, stabilize transportation costs, and preserve the resilience of global supply chains. Its success depends on maintaining neutrality while helping both governments identify mutually beneficial solutions.

Image. The IMTC's delegation.



Source. OpenAI, 2026.

The nationality of the IMTC representative is Swiss, selected because of Switzerland's long-standing tradition of neutrality, its experience in international diplomacy, and its historical role in facilitating communication between the United States and Iran. The mediator does not advocate for any delegation or propose political solutions but instead ensures that discussions remain respectful, structured, and focused on identifying shared interests. The mediator's responsibilities include facilitating communication, clarifying misunderstandings, encouraging collaborative problem-solving, managing procedural fairness, and helping the parties develop creative alternatives that reduce the risk of further military escalation. Ultimately, the mediator seeks to guide the participants toward a mutually acceptable agreement that promotes regional stability, protects freedom of navigation, and safeguards the resilience of global commerce while maintaining complete impartiality throughout the negotiation.



The Negotiation Scenario

As military tensions continue to threaten the security of one of the world's most important maritime trade corridors, the costs of inaction have become increasingly apparent. Rising transportation costs, higher war-risk insurance premiums, volatile energy prices, and growing uncertainty across global supply chains have placed significant pressure on governments, multinational corporations, and international organizations to seek a diplomatic solution. While the political and security dimensions of the conflict remain highly complex, all parties recognize that a prolonged disruption in the Strait of Hormuz would generate substantial economic consequences extending well beyond the Middle East, affecting international trade, foreign investment, and business operations worldwide.

Against this backdrop, an emergency negotiation has been convened under the auspices of the fictional International Maritime Trade Council (IMTC). The dialogue brings together representatives of the Islamic Republic of Iran, the United States, and the IMTC as mediator. Each participant enters the negotiation with different priorities, constraints, and expectations shaped by domestic political pressures, strategic interests, economic objectives, and cultural values. Although the delegations share a common interest in avoiding further escalation, they differ considerably regarding the actions required to restore confidence, guarantee freedom of navigation, and ensure regional security. A successful negotiation will depend on the ability of participants to understand these competing interests, manage cultural differences, build trust, and identify mutually beneficial solutions under conditions of uncertainty.

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