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Abstract

This report updates and extends ISDO's February 2026 analysis of maritime geopolitics, *Analysis of Maritime Geopolitics on Early 2026: The Red Sea Factor*, against a maritime security landscape that has changed more in the intervening six months than in the prior two years combined. The most consequential development is not a continuation of the Red Sea crisis the original report described, but a new and larger crisis: the February 28, 2026 outbreak of open conflict between the United States, Israel, and Iran, and Iran's subsequent closure of the Strait of Hormuz, the corridor for roughly one-fifth of the world's seaborne oil and a similar share of liquefied natural gas.

For a period in March and April 2026, the two maritime arteries connecting the Middle East to world markets, Hormuz and the Red Sea/Bab el-Mandeb corridor, were simultaneously disrupted for the first time in modern shipping history. The Houthi movement, which had observed a fragile pause in Red Sea attacks since October 2025, resumed operations within days of the Hormuz closure. A ceasefire in early April and a memorandum of understanding in June produced brief windows of partial reopening, both of which broke down within weeks. As this report goes to press in early August 2026, Hormuz remains effectively closed to routine commercial traffic, Iran and Oman are reportedly close to a framework for reopening, and Red Sea transits continue at a fraction of pre-crisis levels.

The report is organized around a four-scenario matrix projecting how this compound crisis is likely to evolve through the close of 2026, an approach adapted from the scenario methodology ISDO applied in its parallel August 2026 report on European macroeconomic prospects. It also introduces a new analytical frontier absent from the original report: a chapter on strategic straits that grew, over the course of this report's own revision cycle, from four corridors to nine, Malacca, Gibraltar, the Mozambique Channel, Sri Lanka's Indian Ocean approaches, the Bosphorus and Dardanelles, the Panama Canal, the Strait of Dover, the Danish Straits, and the Taiwan Strait, each absorbing rerouted traffic, hybrid-warfare tactics, sovereignty disputes, or intensified great-power competition as a direct or indirect consequence of the Middle East disruption. The same chapter documents the response side of that exposure as well as its accumulation: a dedicated section traces the concrete alternatives various actors are building specifically around Malacca, Indonesian archipelagic passages, an overland Chinese corridor through Pakistan to Gwadar, and competing Thai and Myanmar routes across mainland Southeast Asia, none a full substitute on its own but together the clearest diversification response this report documents anywhere. A further finding concerns governance rather than traffic: Iran's May 2026 creation of the Persian Gulf Strait Authority, a unilateral licensing and toll regime enforced in bitcoin and yuan specifically to evade sanctions, is treated throughout this report as the clearest available test of whether the crisis resolves into renewed open transit or hardens into a durable new model of chokepoint control. The central finding is that 2026 has not produced a single chokepoint crisis but a multiplication of them, and that the resilience gained by diversifying away from any one corridor is increasingly offset by the number of corridors now under simultaneous strain.

Keywords: Strait of Hormuz; Persian Gulf Strait Authority; Red Sea crisis; Bab el-Mandeb; maritime chokepoints; Strait of Malacca; Strait of Gibraltar; Mozambique Channel; Northern Sea Route; war risk insurance; maritime governance; scenario analysis.

List of Abbreviations

Abbreviation	Full Term
ACLED	Armed Conflict Location and Event Data Project
ASR/NSR	Arctic Sea Route / Northern Sea Route
BBNJ	Biodiversity Beyond National Jurisdiction Agreement
CENTCOM	United States Central Command
CSA	China Shipowners' Association
EEZ	Exclusive Economic Zone
FEU	Forty-foot Equivalent Unit (container)
IMO	International Maritime Organization
IRGC	Islamic Revolutionary Guard Corps
LNG	Liquefied Natural Gas
MOU	Memorandum of Understanding
NSR	Northern Sea Route
PGSA	Persian Gulf Strait Authority
PSSA	Particularly Sensitive Sea Area
ReCAAP ISC	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia, Information Sharing Centre
SCA	Suez Canal Authority
TEU	Twenty-foot Equivalent Unit (container)
TSS	Traffic Separation Scheme
UKMTO	United Kingdom Maritime Trade Operations
UNCLOS	United Nations Convention on the Law of the Sea
VLSFO	Very Low Sulphur Fuel Oil
VLCC	Very Large Crude Carrier
WBIED	Water-Borne Improvised Explosive Device

Executive Summary

READING THIS REPORT

This Executive Summary is designed to stand alone. Readers seeking the full chronology of the Hormuz crisis, the country-by-country strait analysis, or the complete quantitative scenario tables should consult the relevant chapters listed in the table of contents.

Scenario probabilities in Table ES.1 are ISDO's analytical assessment as of early August 2026. Given the fluidity of the underlying conflict, they carry wider uncertainty bands than is typical for a six-month scenario horizon, and will be revised as the situation develops.

The Moment

Six months ago, ISDO's Red Sea Factor report described a maritime system that had absorbed one major shock, the Houthi campaign against Red Sea shipping, and was settling into what the report called a durable dual-route equilibrium between Suez and the Cape of Good Hope. That description no longer fits. On February 28, 2026, the United States and Israel struck Iranian targets, and within days Iran had declared the Strait of Hormuz closed to what it termed unfriendly shipping, laid mines, and begun attacking tankers. For the first time in the modern history of maritime trade, both of the Middle East's great chokepoints, Hormuz and Bab el-Mandeb, were disrupted at once. The Houthis, who had held to an October 2025 ceasefire for four months, resumed Red Sea attacks within roughly seventy-two hours of the Hormuz closure.

The two crises have followed different trajectories since. Hormuz has cycled through closure, partial reopening under a ceasefire, renewed closure, a further reopening under a June memorandum of understanding, and a second breakdown in early July. As of early August 2026, published tracking data puts daily Hormuz transits at roughly 2 to 11 vessels against a pre-crisis baseline in the 70 to 130 range, depending on the source and the precise count of naval versus commercial traffic, and Iran and Oman are reported to be close to a reopening framework that would still require American concurrence. The Red Sea, meanwhile, has settled into an uneasy pattern of episodic Houthi attacks against a background of nominally reduced hostilities, with claims of strikes on tankers in the Gulf of Aden as recently as the first week of August.

A quieter but equally consequential development sits underneath these traffic numbers. In May, Iran founded the Persian Gulf Strait Authority, a state agency that now claims sole power to license transit through a zone it has defined unilaterally, charging tolls of up to \$2 million per passage payable only in bitcoin or yuan, a currency choice reporting reads as a direct attempt to route around US sanctions enforcement. Whatever else the current reopening negotiations resolve, they will have to decide what becomes of this authority, and this report treats that question, examined in Chapters 1, 5, and 7, as the sharpest available test of whether 2026 produces a genuine return to open transit or a durable new form of unilateral gatekeeping.

Both crises now sit inside a larger transformation this report treats as its central subject: the diversification of global shipping away from a small number of assumed-reliable corridors has not eliminated chokepoint risk, it has distributed it. Traffic that left Suez for the Cape found the Cape's own hazards. Traffic that avoided the Middle East by favouring the Arctic or by leaning harder on Malacca and Singapore found those corridors absorbing new volume, and in Malacca's case, a corresponding rise in piracy. Straits that were peripheral to the 2026 story as recently as February, Gibraltar, the Mozambique Channel, the Sri Lankan approaches to the Indian Ocean, have each become more strategically salient over the same six months, for reasons this report sets out in Chapter 4.

The Four Scenarios

This report organizes its forecast for the remainder of 2026 around a matrix of four scenarios, an approach adapted directly from the methodology ISDO applied in its parallel macroeconomic scenario report published this same month. The axes are the trajectory of the Hormuz and Red Sea conflicts (de-escalating versus escalating) and the degree of contagion to other maritime corridors (contained versus spreading). The four resulting scenarios are not predictions; they are structured descriptions of qualitatively distinct worlds that bound the range of plausible outcomes through December 2026.

Scenario	Hormuz+Red Sea traffic, Dec-26	Brent crude, Dec-26	Contagion risk	ISDO probability	VUCA level
S1: Coordinated De-escalation	80%	Falling to ~\$68-72	Low	20%	Low
S2: Structural Status Quo	45%	\$78-88 sustained	Elevated	38% ★	High
S3: Renewed Escalation	5%	\$110-130	Severe	22%	Very High
S4: Multi-Chokepoint Contagion	2%	>\$135, spikes higher	Extreme	20%	Extreme

Table ES.1: ISDO Scenario Matrix: Key Maritime and Energy Indicators and Assigned Probabilities, H2 2026. ★ = ISDO central case. Traffic figures are combined Hormuz and Bab el-Mandeb/Suez transits as % of pre-crisis baseline. Source: ISDO scenario analysis, August 2026.

Immediate Priority Signals to Watch

The scenario probabilities above will move materially depending on developments across eight dimensions between now and late September 2026. Readers tracking the situation between ISDO publications should monitor:

- The Iran-Oman reopening framework: whether it is finalized, whether Washington concurs, whether it resolves or merely sidesteps the status of Iran's Persian Gulf Strait Authority, and whether it survives its first contested incident, something neither prior 2026 de-escalation attempt managed.
- Houthi attack tempo in the Gulf of Aden: a sustained return to weekly strikes would signal the movement has fully abandoned the October 2025 ceasefire logic rather than opportunistically exploiting the Hormuz crisis.
- War risk insurance repricing: premiums are a leading indicator that moves faster than physical transit data and will show whether underwriters view any reopening as durable.
- Piracy incident rates in Malacca and the Gulf of Guinea: a continued rise would confirm that rerouted traffic and stretched naval attention are producing second-order security costs beyond the Middle East itself.
- UN Security Council activity on Hormuz: the pattern of vetoed and stalled resolutions since April is itself informative about the durability of any greatpower-brokered arrangement.
- Taiwan Strait military signalling: further PLA exercises modelled on the Justice Mission 2025 blockade simulation, documented in Chapter 4, would be the clearest indicator that the single highest-stakes corridor in this report, on the composite exposure ratings in Table 4.2, is moving toward the kind of contagion this report's S4 scenario describes, entirely independently of what happens at Hormuz.
- Attributed Baltic cable or pipeline incidents: Chapter 4 documents a recurring pattern that has so far outpaced formal attribution; a confirmed state-actor finding for any single incident would materially change the governance calculus this report's Chapter 8 recommendations address.

- Central bank decisions in energy-importing emerging economies facing sustained elevated prices: a rate cut, rather than a hold or hike, during a live energy-supply shock would be the clearest real-time signal that the monetary policy error risk this report's §7.7 identifies, developed there alongside an explicit Austrian-school reading of the underlying business-cycle mechanism, is materializing rather than remaining theoretical.

What This Means for Different Audiences

For governments and multilateral institutions, the central implication is that maritime security planning built around a single chokepoint contingency is now demonstrably insufficient. The simultaneous disruption of Hormuz and the Red Sea was treated as a low-probability tail scenario by most institutional planners as recently as January 2026; it materialized within five weeks. Planning frameworks for 2027 and beyond should explicitly model multi-chokepoint scenarios rather than extrapolating from single-corridor precedents.

For shipping companies, insurers, and cargo owners, the practical implication is that the dual-route hedging strategy that served the industry adequately during the 2024-2025 Red Sea crisis is no longer sufficient on its own. Fleets now require contingency routing across at least three corridors, Suez, Cape, and where feasible the Arctic seasonal window, and war risk desks are pricing Hormuz-adjacent routes at levels that make even short-notice diversion economically rational.

For researchers and civil society, this report's contribution is to document, with the caveats about data quality and volatility set out in the Methodology chapter, how quickly a maritime system that appeared to be stabilizing into a durable equilibrium in January 2026 was overtaken by a larger and more dangerous crisis, and to draw out the structural lesson: chokepoint risk in 2026 is better understood as a system-level property of global shipping than as a set of independent, geographically bounded incidents.

Methodology

M.1 Purpose and Scope

This chapter documents the analytical methods, data sources, and uncertainty-handling approach used throughout the report. It is written for readers who want to evaluate the basis for the scenario projections, reproduce or extend the analysis, or calibrate how much confidence to place in any single figure quoted elsewhere in the document.

M.2 Relationship to the Original ISDO Red Sea Report

This is a new, standalone analytical product rather than an addendum to *The Red Sea Factor* (ISDO, February 2026). Where the two reports cover the same underlying corridor, principally the Red Sea and Bab el-Mandeb, this report incorporates the original's historical chronology by reference rather than reproducing it, and focuses its own original analysis on developments since publication. Readers seeking the pre-2026 history of the Houthi movement, the Yemen civil war, or the 2023-2025 phase of the Red Sea crisis should consult the original report directly.

M.3 The Scenario-Based Analytical Framework

Chapter 7 of this report organizes the outlook for the remainder of 2026 around a four-scenario matrix rather than a single central forecast. The choice mirrors the approach ISDO's Economics and Social Affairs Department applied in its own August 2026 scenario report on European macroeconomic prospects, and for the same underlying reason: a maritime security environment defined by an active, still-unresolved regional war does not admit a single credible point projection without conveying false precision.

The matrix is organized along two dimensions. The first is the trajectory of the core Hormuz and Red Sea conflicts themselves, running from coordinated de-escalation to renewed escalation. The second is the degree of contagion to other maritime corridors, whether the crisis remains contained to the Middle East or spreads, through rerouted traffic, stretched naval resources, or opportunistic exploitation, to straits such as Malacca, Gibraltar, or the Mozambique Channel. In this report's construction, the second dimension tracks the first closely rather than varying independently of it: every contagion indicator worsens in step with escalation across S1 through S4, rather than producing a scenario that combines high escalation with contained spillover, or the reverse. That correlation is itself a substantive analytical claim rather than a structural weakness in the framework. It reflects this report's assessment that contagion in 2026 has been driven primarily by the same mechanism as the core crisis, naval and diplomatic bandwidth absorbed by Hormuz and the Red Sea, rather than by shocks native to Malacca or Gibraltar that are independent of it. Readers who judge that assessment wrong should expect the two dimensions to decouple in practice, an outcome this report's monitoring indicators in Section M.5 are designed to catch.

M.3.1 Probability Assignment

As with ISDO's macroeconomic scenario work, the probabilities assigned to each scenario are the analytical judgment of the authors as of early August 2026, not the output of a formal statistical model. They reflect a structured weighting of current conjunctural data, the pattern of prior ceasefire and reopening attempts in 2026 (each of which broke down within weeks), the assessed durability of the reported Iran-Oman framework, and comparison with historical base rates for multi-actor Middle East maritime crises. They will be revised as the monitoring indicators in Section M.5 evolve, and readers should treat the specific percentages as directional rather than precise: a 38% central case read against a 22% downside should be understood as “meaningfully more likely,” not as a difference reliable to the percentage point.

These weights were revised once, from an initial 20/40/25/15 split to the current 20/38/22/20, after the Chapter 4 strait-by-strait analysis expanded from four corridors to nine and the Chapter 4.12 great-power exposure matrix

was completed. No single new Hormuz-specific event drove the revision; the case for it is analytical rather than evidentiary. Two findings that only became visible once the fuller nine-strait picture was assembled argued for the change: first, that Russia's naval-escort tactic operates identically in the Dover and Baltic theatres, documented in §4.7 and §4.8, a systemic rather than corridor-isolated pattern that made contained, single-corridor escalation of the kind S3 describes look somewhat less likely relative to broader multi-corridor drift; second, that Panama and Taiwan, examined in §7.6 as risks largely exogenous to the Hormuz trajectory, constitute two additional independent tail risks that were not part of the analytical picture when the original S4 weight was set, mechanically raising the probability that at least one such independent risk coincides with a Gulf escalation within the same window. S1 and the overall S2-as-central-case finding are unchanged; only the relative weighting of S3 against S4 shifted, and by a margin, three to five points, consistent with the “directional not precise” caveat above rather than a reversal of the report's central analytical judgment.

Figure M.1 — Scenario Probability: Original vs. Revised Weighting

Revised after the Chapter 4 strait analysis expanded from four corridors to nine; see §M.3.1 for the reasoning.

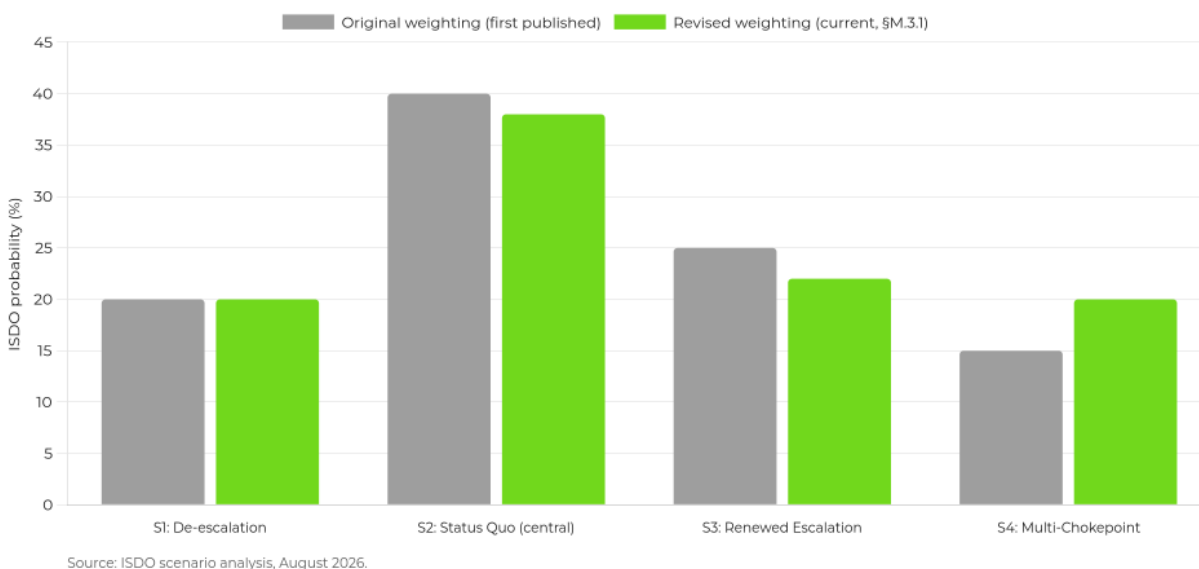


Figure M.1: Scenario probability: original vs. revised weighting. Only S3 and S4 shifted; S1 and S2's status as central case are unchanged. Source: ISDO scenario analysis, August 2026.

M.3.2 Qualitative Risk Ratings

Two tables in this report, the Executive Summary's Table ES.1 and Chapter 5's Table 5.1, include categorical ratings, VUCA level and Geopolitical exposure respectively, alongside quantitatively derived figures such as Brent crude ranges and transit percentages. These ratings are analyst judgments, not outputs of a scoring model, and were assigned by weighing three factors in combination: the number of independent actors whose decisions could alter the outcome, the demonstrated frequency of reversal in that corridor's 2026 history, and the availability of a credible near-term resolution mechanism. A corridor or scenario with many independent actors, a history of reversal, and no credible resolution mechanism in sight is rated toward Extreme or Severe; one with few actors, a stable recent history, and an identifiable resolution path is rated toward Low. This is a transparent heuristic, not a validated instrument, and the ratings should be read with the same directional caveat given to the scenario probabilities above.

M.4 Data Sources and Their Limitations

M.4.1 Primary Sources

Historical and current shipping data are drawn from the Suez Canal Authority, IMF PortWatch, BIMCO, and MarineTraffic vessel tracking aggregations, supplemented by UKMTO incident reporting for the Gulf of Aden and the Strait of Hormuz. Energy price data are sourced from Bloomberg and the International Energy Agency. All data have a cut-off of August 5, 2026, reflecting the most recent available releases at time of writing.

M.4.2 A Note on Data Volatility and Live Reporting

The Hormuz crisis in particular is documented by a mix of official statistics, published weekly on a lag, and near-real-time trackers that update continuously and sometimes disagree with each other by a factor of five or more on same-day transit counts, reflecting differences in how naval, escorted, and AIS-dark vessels are counted. Where this report cites a specific transit figure for Hormuz, it notes the source and, where relevant, the range reported by other trackers. This is a deliberate departure from the cleaner single-figure presentation used elsewhere in the report, and reflects a considered judgment that presenting false precision on the most contested data point in the report would be a worse error than presenting a range.

A second limitation concerns unverified attack claims. Houthi claims of strikes on commercial vessels in the Gulf of Aden are frequently reported by regional outlets before independent confirmation by UKMTO or the vessel operator, and in a meaningful minority of cases are never independently confirmed. This report flags claimed but unconfirmed incidents explicitly rather than treating claims and confirmed attacks as equivalent evidence.

M.4.3 Baseline Reference Values

Every “% of pre-crisis baseline” figure used in this report, including the headline scenario traffic percentages in Table ES.1, Table 7.2, and Figure 7.2, is computed against the ranges given here rather than a single point value, because no single figure is defensible given the tracker discrepancies described above. For the Strait of Hormuz, this report treats 88-130 vessels per day, IMF PortWatch's published range, as its primary reference baseline; the wider 70-130 figure cited in the Executive Summary and Chapter 1 reflects the fuller span across all trackers this report draws on, including sources that count naval and AIS-dark traffic differently, and is provided for context rather than as the calculation basis. For Suez and the Red Sea corridor, this report uses 74-80 vessels per day, the range shown as the 2023 baseline in Figure 1.2, sourced from BIMCO and Suez Canal Authority reporting. Combined Hormuz-and-Red-Sea percentages in Chapter 7 sum transits against these two ranges together rather than against a single blended figure, and should be read as order-of-magnitude indicators of recovery, not as precise ratios.

M.5 Monitoring Framework: Indicators and Cadence

The five indicators identified in the Executive Summary constitute the core early-warning system for scenario revision between ISDO publications. Readers tracking developments independently should monitor the following:

Indicator	Source	Frequency	Scenario implication
Suez Canal daily transits	SCA / MarineTraffic	Weekly	Above 40/day sustained → S1/S2 recovery track; below 15 → S3/S4
Hormuz daily transits	IMF PortWatch / UKMTO	Weekly (Tue. publication)	Above 40/day → reopening confirmed; below 10 sustained → closure persists
Brent crude front-month	Bloomberg / IEA	Daily	Above \$110 sustained → S3 risk; below \$75 → S1 more likely

Indicator	Source	Frequency	Scenario implication
War risk premium, Hormuz transit	Lloyd's Market Association	Weekly	Above 1.5% of hull value → active-conflict pricing persists
Houthi attack claims, Gulf of Aden	UKMTO / ACLED	Event-driven	Any week with 2+ claimed attacks → Red Sea re-escalation confirmed
ReCAAP piracy incidents, Malacca	ReCAAP ISC	Monthly	Sustained rise → contagion to secondary chokepoints confirmed

Table M.1: *Monitoring Framework: Key Indicators, Sources, and Scenario Implications. Source: ISDO Security & Intelligence Department, August 2026.*

M.6 Limitations

This section consolidates caveats that appear individually elsewhere in the report, so that a reader can see the full set in one place rather than assembling it from scattered asides.

First, on data reliability: the Hormuz transit and price figures throughout this report, and by extension every scenario percentage derived from them, inherit the same-day tracker discrepancies described in Section M.4.2 and the baseline ambiguity described in Section M.4.3. Figures presented as narrow ranges, particularly in Annex A's December 2026 projections, should be read as illustrative midpoints of a considerably wider plausible range rather than as precise forecasts; the narrowness of a range in this report reflects presentational choice, not measurement confidence.

Second, on scope: this report does not attempt a rigorous, updated quantification of developing-country inflation exposure specific to the Hormuz shock, noting in Chapter 5 that such an estimate was not available at time of writing. It does not independently verify Houthi attack claims beyond noting UKMTO's confirmation status, and it does not assess the marine environmental impact of mining and naval strikes in the strait, an area it flags in Chapter 6 as warranting dedicated monitoring rather than one this report itself covers.

Third, on framing: this report's account of the Persian Gulf Strait Authority draws primarily on Western commercial, legal, and governmental sources, and gives Iran's own stated justification, reported via Press TV and IRNA, one paragraph in Chapter 1 rather than sustained treatment throughout. The imbalance is narrower than in an earlier draft of this report but not eliminated; readers seeking a fuller Iranian-sourced account should consult Iranian state media directly rather than treat this report's coverage as exhaustive of that perspective.

Fourth, on attribution between overlapping causes: where this report identifies more than one contributing cause to the same outcome, for instance Red Sea avoidance and Panama drought-recovery stickiness both contributing to Cape of Good Hope traffic volumes, discussed in Chapters 2, 5, and 6, it does not attempt to weight their relative contribution unless a cited source provides a basis for doing so. Combined effects described as compounding should not be read as implying a specific numerical split between causes.

Fifth, on the scenario method itself: this report's four-scenario framework aggregates the analytical judgment of two authors and the sources they could locate and verify by early August 2026, not the distributed, often tacit information held by the thousands of shippers, insurers, naval planners, and traders whose individual decisions actually determine how the Hormuz crisis resolves. Friedrich Hayek's argument that centrally aggregated analysis cannot substitute for the information a functioning price system distributes and processes in parallel applies with some force to this report's own enterprise, not only to the state actors and central planners it examines elsewhere. The war risk premiums and freight rates this report cites throughout, discussed explicitly in §2.2, are on this view a more reliable real-time indicator of where the crisis is heading than the scenario probabilities in Chapter 7, which readers should treat as a structured summary of currently available analysis rather than as superior to what the relevant markets are already pricing. Jesús Huerta de Soto's extension of this argument, that the entrepreneurial function is fundamentally a discovery process rather than an optimization exercise over already-known possibilities, sharpens the caveat further: even a perfectly executed version of this report's scenario exercise would des-

cribe possibilities the authors could already conceive of, while the market process this report repeatedly points readers back toward is capable of generating outcomes no scenario table, however carefully constructed, had listed as an option in the first place.

Sixth, on economic-theory framing: this report's treatment of monetary and capital-allocation questions in §2.2, §4.9, §5.3, §7.7, and this chapter draws explicitly and by name on the Austrian school, Hayek, Mises, and Huerta de Soto specifically, and gives the mainstream New Keynesian counter-reading a single paragraph in §7.7 rather than comparably sustained treatment. The imbalance is narrower after that addition than in an earlier draft of this report but not eliminated: readers seeking a fuller mainstream account of central bank policy under supply shocks should consult standard monetary-policy textbooks or central bank research departments directly rather than treat this report's economic-theory content as representative of the profession's center of gravity.

CHAPTER 1

The Middle East Maritime Crisis: Hormuz and the Red Sea in 2026

1.1 From the February 2026 Report to the Hormuz War

ISDO published *The Red Sea Factor* on February 2, 2026. It described a maritime corridor that had absorbed a major shock and was settling into a durable, if uncomfortable, new equilibrium: Red Sea traffic suppressed to roughly 60% below pre-crisis levels, the Cape of Good Hope route embedded as a structural alternative, and a tentative recovery underway following the October 2025 Gaza ceasefire and the Houthi movement's announced pause in attacks. The report's closing section on emerging polar and southern frontiers treated the Arctic and the Antarctic as the next theatres of maritime geopolitical interest, on a horizon measured in decades.

That framing held for twenty-six days. On February 28, 2026, the United States and Israel launched a series of strikes against Iranian military targets, an operation that, according to widely reported accounts, included the killing of Iran's Supreme Leader. Iran's response arrived within days and targeted the maritime chokepoint under its effective control rather than retaliating in kind against Israeli territory alone: the Islamic Revolutionary Guard Corps declared the Strait of Hormuz closed to shipping from what it termed unfriendly nations, began mining sections of the waterway, and started attacking tankers attempting to transit.

The scale of the disruption dwarfed the Red Sea crisis that had occupied the whole of ISDO's prior report. Roughly 20% of global oil supply and a comparable share of liquefied natural gas move through Hormuz in an ordinary year, against Bab el-Mandeb's smaller if still substantial share of global trade. World Trade Organization data cited in UK parliamentary research found a 95% reduction in crude oil shipping through Hormuz and a 99% reduction in LNG carriers in the crisis's early phase, figures that make the Red Sea's 50-60% traffic decline in 2024 look moderate by comparison. Within forty-eight hours, more than 150 tankers had anchored outside the strait rather than risk transit.

1.2 Chronology: The Strait of Hormuz Crisis, February–August 2026

The crisis has not followed a single trajectory of escalation or resolution. It has cycled through closure, negotiated reopening, and renewed closure at least twice in five months, a pattern that matters as much for what it signals about the durability of any future arrangement as for the disruption each cycle has caused directly.

Date	Development
Feb 28, 2026	US and Israeli strikes on Iranian military targets begin the conflict later termed the 2026 Iran War.
Mar 2-4, 2026	IRGC declares the Strait of Hormuz closed to “unfriendly nations”; Iran lays mines and threatens vessels attempting transit.
Mar 19, 2026	US begins an air campaign targeting Iranian naval and drone assets to force the strait back open.
Apr 7-8, 2026	US-Iran ceasefire agreed, later extended to Israel; strait declared toll-free and partially operational under Iranian-coordinated passage; over 800 vessels reported stranded inside the Gulf.
Apr 13, 2026	US naval blockade of Iran begins alongside the ceasefire, an unusual combination reflecting the fragility of the arrangement.
Apr 22-24, 2026	Oilfield services firm Baker Hughes tells investors it is planning for Hormuz to remain impaired through H1 2026; a Dallas Fed survey finds roughly 80% of oil executives expect no full reopening before August.

Date	Development
May 5, 2026	Iran founds the Persian Gulf Strait Authority (PGSA), a Tehran-based agency asserting unilateral authority to license and toll all transits through a self-defined Hormuz management zone.
Jun 17, 2026	US-Iran memorandum of understanding reopens the strait toll-free; traffic recovers only partially.
Early Jul 2026	The June MOU breaks down following renewed attacks on commercial vessels; the strait is again effectively closed to routine traffic.
Jul 11, 2026	IRGC navy again declares the strait closed, citing Israeli strikes elsewhere in the region as a breach of the understanding.
Jul 23, 2026	IMF PortWatch records approximately 10 transits for the day, against a pre-crisis range of 88-130.
Aug 2-6, 2026	Independent trackers report 2-11 transits per day; Iran and Oman report a reopening framework at an advanced stage, still pending US concurrence; Brent trades near \$80/barrel.

Table 1.1: *Chronology of the 2026 Strait of Hormuz crisis. Compiled from Congressional Research Service, House of Commons Library, Reuters and AFP wire reporting, and live tracking services; see Annex B for full citations.*

Two features of this chronology carry more analytical weight than the individual dates. The first is that every attempted de-escalation, the April ceasefire and the June memorandum of understanding alike, broke down within weeks rather than consolidating into a durable arrangement. This is the single most important input into this report's scenario probabilities in Chapter 7: a crisis that has failed to stabilize twice in five months should not be assumed to stabilize on the third attempt without a very different pattern of behaviour appearing first.

The second is the persistent gap between diplomatic announcements and physical shipping data. Iranian officials described the strait as toll-free and operational on at least two occasions when independent tracking continued to show transit volumes in the single digits or low teens. This gap is not a minor reporting discrepancy; it reflects the reality that even a genuine reduction in hostilities does not translate quickly into restored shipping confidence, insurance availability, or crew willingness to transit, a dynamic this report's Chapter 2 examines in more detail and that closely parallels the slow Suez recovery documented in ISDO's original February report.

The military dimension of the chronology deserves a fuller accounting than the table above can carry on its own. Israel assassinated Alireza Tangsiri, the IRGC naval commander overseeing the strait blockade, during the campaign phase of the conflict, an operation that removed the single officer most directly responsible for Iran's mining and interdiction posture in the strait. The naval blockade the US imposed on April 13 was not a symbolic gesture: US Central Command (CENTCOM) has reported redirecting 94 commercial vessels and disabling four while enforcing it, intercepting 85 vessels in total against 26 that Lloyd's List assessed successfully bypassed the cordon, seizing three ships outright, and inflicting costs the US government put at \$500 million a day on the Iranian side. Iran's own retaliation included the seizure of two cargo ships, a reminder that the blockade's stated purpose, forcing Hormuz back open, has itself functioned as a second front of maritime coercion layered on top of the strait closure it was meant to reverse.

The Persian Gulf Strait Authority deserves separate attention because it is not simply another event in the chronology; it is an attempt to build a permanent institution out of the crisis. Founded on May 5, 2026, the PGSA claims sole authority to license transit through a zone it has defined unilaterally, running from Kuh-e Mubarak in Iran to south of Fujairah in the UAE on the eastern approach, and from the tip of Qeshm Island to Umm al-Quwain on the western approach. By mid-May the IRGC was citing PGSA coordination when it claimed to have processed twenty-six vessel transits in a single 24-hour period, evidence that the mechanism was functioning at some scale rather than existing only on paper. Lloyd's List Intelligence told CNN the system appeared designed to *formalize* Iranian authority over the strait, and the toll itself, reported at up to \$2 million per passage, is payable only in bitcoin or yuan, a structure that industry reporting reads as a direct attempt to route around US Treasury sanctions enforcement rather than an incidental payment preference.

Iranian officials describe the same institution differently. State broadcaster Press TV and army spokesman Mohammad Akraminia, quoted by the official IRNA news agency, framed the PGSA as a response to fraud rather

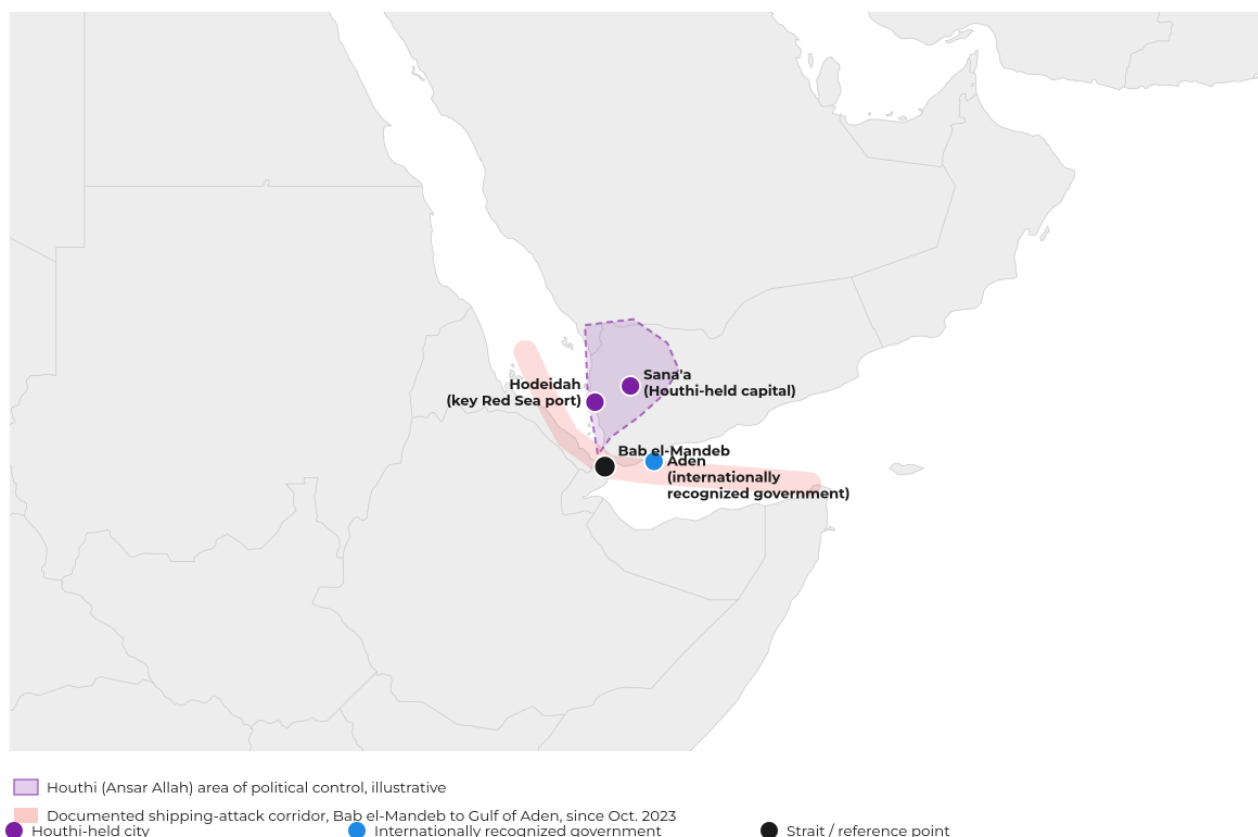
than a revenue or sanctions mechanism: after Iran's March announcement that vessels would need to arrange safe passage, Tehran says scam operators moved quickly to sell fraudulent transit documents for cryptocurrency, and the PGSA's centralized email-based application process was created to give shipowners, in this telling, a verifiable channel and to “bring clarity to maritime traffic procedures” rather than to formalize a toll regime for its own sake. Iran has separately signalled that it does not expect traffic to return to pre-war norms under any reopening arrangement, language consistent with treating the PGSA as a permanent feature of the strait's post-war governance rather than a wartime expedient it plans to unwind. This report's Chapter 5 returns to the PGSA as the clearest illustration of the governance question the whole crisis raises: whether unilateral licensing regimes of this kind become a durable feature of chokepoint management or a wartime anomaly that lapses once, and if, a genuine reopening framework is agreed.

1.3 The Houthi Reversal: Red Sea Attacks Resume

The Houthi movement's decision to resume attacks tracked the Hormuz crisis almost exactly. Having held to the October 2025 Gaza ceasefire's implied pause for a little over four months, Houthi forces claimed renewed strikes on Red Sea shipping within roughly seventy-two hours of Iran's declared Hormuz closure. Whatever combination of Iranian coordination, opportunistic solidarity, and independent political calculation drove the decision, drivers ISDO's original report treated at length and that remain contested among analysts, the practical effect was to erase the fragile recovery documented in the February report almost overnight.

Figure 1.1 — Houthi-Controlled Yemen and the Bab el-Mandeb Attack Corridor

Political control and the documented shipping-incident corridor. Not a weapons-range or capability assessment; see §1.3.



Basemap: Natural Earth via world-atlas/topojson. Areas are illustrative, not official boundaries. The corridor marks where documented incidents have occurred, not a weapons-range or capability estimate. Source: UKMTO; ISDO compilation, August 2026; see §1.3, Annex B.

Figure 1.1: Houthi-controlled Yemen and the Bab el-Mandeb attack corridor. Political control and the documented shipping-incident zone; not a weapons-range or capability assessment, this report does not estimate Houthi anti-ship missile or drone range. Source: UKMTO; ISDO compilation, August 2026.

Suez Canal Authority data for the second half of fiscal year 2025/2026 illustrates the whipsaw. Vessel transits, tonnage, and revenue all posted double-digit year-on-year gains in the first half of the fiscal year, continuing the recovery trend the original report identified. Oil tanker transits alone rose 22.3% year-on-year to 1,526 vessels in the most recent reported quarter, an increase driven in part by Gulf producers rerouting cargo away from a partially closed Hormuz. But this recovery coexisted with, rather than replaced, continued suppression: canal authorities and independent shipping analysts both describe navigation as remaining well below pre-crisis levels even as the headline percentage gains looked strong against a badly depressed 2025 base.

As of the first week of August 2026, UKMTO and Houthi-aligned media have both reported claimed attacks on tankers in the Gulf of Aden, including strikes on Saudi-linked vessels reported around August 5-6 that had not been independently verified at time of writing. The pattern is consistent with episodic, opportunistic strikes rather than the sustained weekly campaign of early 2024, but it is sufficient to keep war risk premiums elevated and to prevent the kind of confidence rebuilding that would be needed for a genuine return to pre-crisis routing.

1.4 Quantifying the Dual Disruption

Figure 1.2 — Suez Canal Average Daily Transits, 2023–2026

Approximate values from published carrier and BIMCO data. Pre-crisis baseline ≈ 74–80/day.

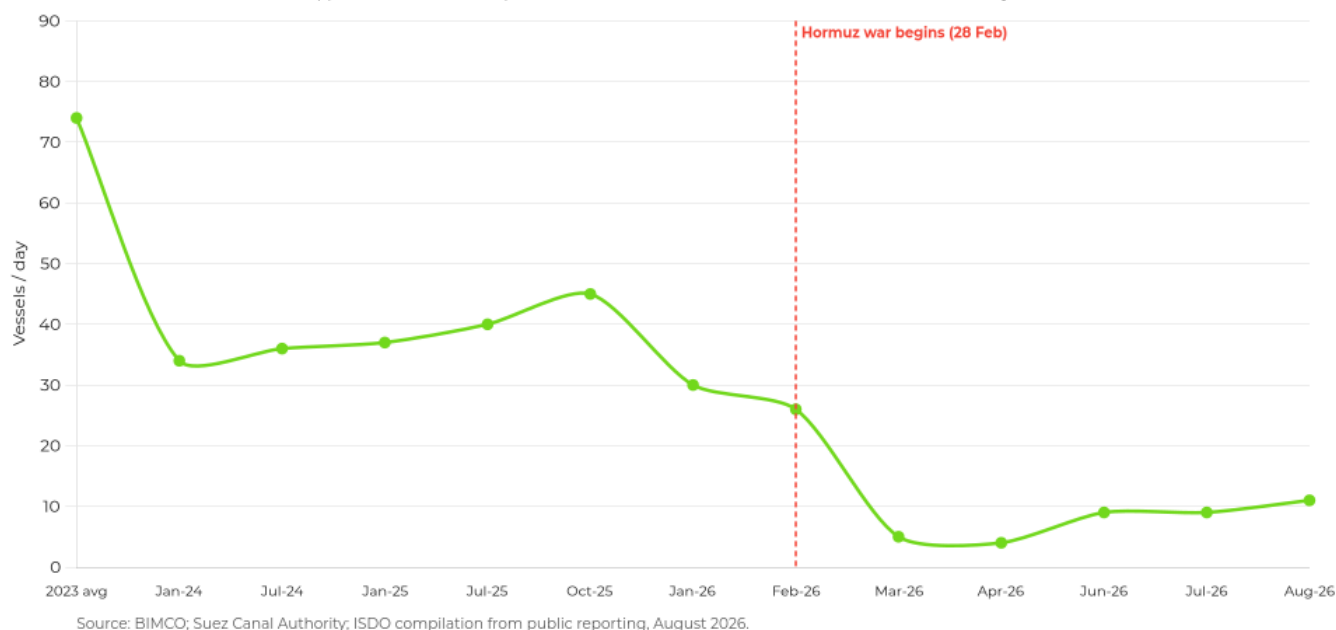


Figure 1.2: Suez Canal average daily transits, 2023–2026. The Hormuz war's onset in late February 2026 coincides with a second collapse in Suez traffic, driven by the Houthi resumption rather than by any direct Suez-specific incident. Approximate values compiled from BIMCO and Suez Canal Authority reporting; see Annex B.

The chart above compiles publicly reported Suez Canal daily transit averages across the full period covered by both ISDO reports. Two collapses are visible: the original 2023–2024 Houthi campaign, and a second, sharper decline beginning in March 2026 that coincides with the Hormuz war and the Houthi resumption rather than any new Suez-specific incident. The trough in March–April 2026, averaging in the single digits by some counts, is worse than anything recorded during the original 2023–2024 crisis, a fact that did not receive commensurate attention in general business coverage given how much of it was crowded out by direct Hormuz reporting.

The reopening windows deserve a caveat the trough figures alone do not convey: when the strait was open, it moved real volume. US Vice President JD Vance cited a single-day record of 16 million barrels of oil transiting

Hormuz on June 21, near the peak of the June reopening, a figure that stands closer to pre-crisis norms than to the near-total shutdown of March and April. That record fell within three weeks, once the June memorandum broke down in early July, but its existence complicates any narrative in which the reopening attempts were purely cosmetic. They were real while they lasted; what they were not was durable, and this report's Chapter 7 treats that distinction, real but not durable, as the defining fact its central scenario has to explain.

War risk insurance premiums provide a second, faster-moving lens on the same disruption. Premiums are typically quoted as a percentage of a vessel's hull and machinery value per voyage, and because underwriters reprice risk in real time based on incident reports and geopolitical signals rather than waiting for quarterly data, they tend to lead physical transit statistics by weeks.

Figure 1.3 — War Risk Insurance Premiums by Chokepoint (% of hull value/voyage)

Hormuz premium reflects active-conflict pricing following the February 2026 closure; approximate market ranges.

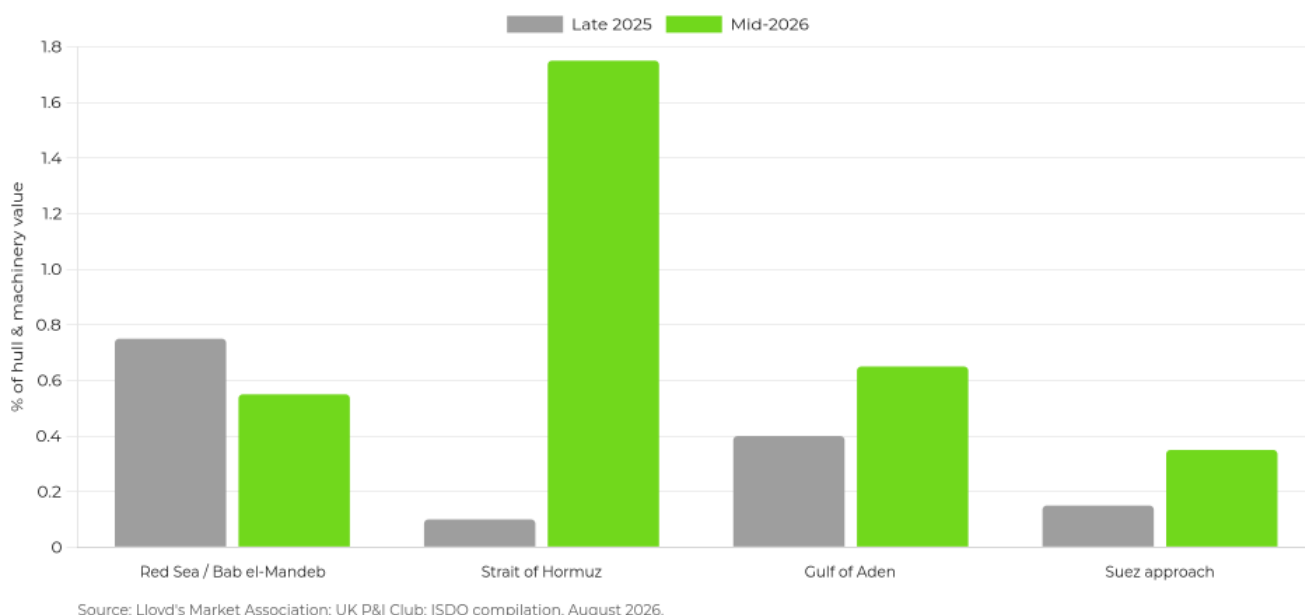


Figure 1.3: War risk insurance premiums by chokepoint, late 2025 versus mid-2026. Hormuz premiums reflect active-conflict pricing that has no precedent in the corridor's post-1988 history. Approximate market ranges compiled from Lloyd's Market Association and UK P&I Club reporting; see Annex B.

The Hormuz premium of roughly 1.5-2.0% of hull value per voyage shown for mid-2026 has no real precedent since the tanker war phase of the Iran-Iraq conflict in the 1980s. For a very large crude carrier with a hull and machinery value in the hundreds of millions of dollars, that premium alone can add well over a million dollars to the cost of a single voyage, before accounting for the additional operational costs of naval escort coordination, extended dwell times, and crew hazard pay that several flag states and unions have negotiated for Gulf transits since March 2026.

1.5 Regional Drivers Revisited

ISDO's original report analyzed three interlocking regional drivers behind the 2023-2025 Red Sea crisis: the Iran-Israel strategic competition, Yemen's protracted civil war, and the Gaza humanitarian crisis. All three remain relevant, but the balance among them has shifted with the direct outbreak of US-Israeli military action against Iran itself.

The Iran-Israel confrontation is no longer a background driver operating through proxies; it became, for a period beginning February 28, 2026, a direct state-to-state war involving the United States as a co-belligerent against Iranian territory. This is a qualitatively different situation from the April 2024 exchange of strikes ISDO's original report documented, and it changes the strategic calculus for every other actor in the region. The Houthis, whatever

their formal chain of command, operate in a context where their principal external patron is fighting for its own survival, a condition that plausibly explains both the speed of their reversal to attacks and the more episodic, less sustained character of the current campaign compared to 2023-2024, when Iranian support flowed without this level of strain on Tehran's own resources.

Yemen's internal fragmentation, extensively documented in the original report's background section, has not featured prominently in public reporting on the current crisis, though this may reflect reduced international attention rather than genuine stability. The Gaza dimension, by contrast, remains present but diluted: with the immediate crisis centred on Iran rather than on Gaza, Houthi public statements have leaned more heavily on solidarity with Iran and opposition to US and Israeli regional dominance than on the Palestinian framing that dominated 2023-2024 messaging, though both threads continue to appear in Houthi communications.

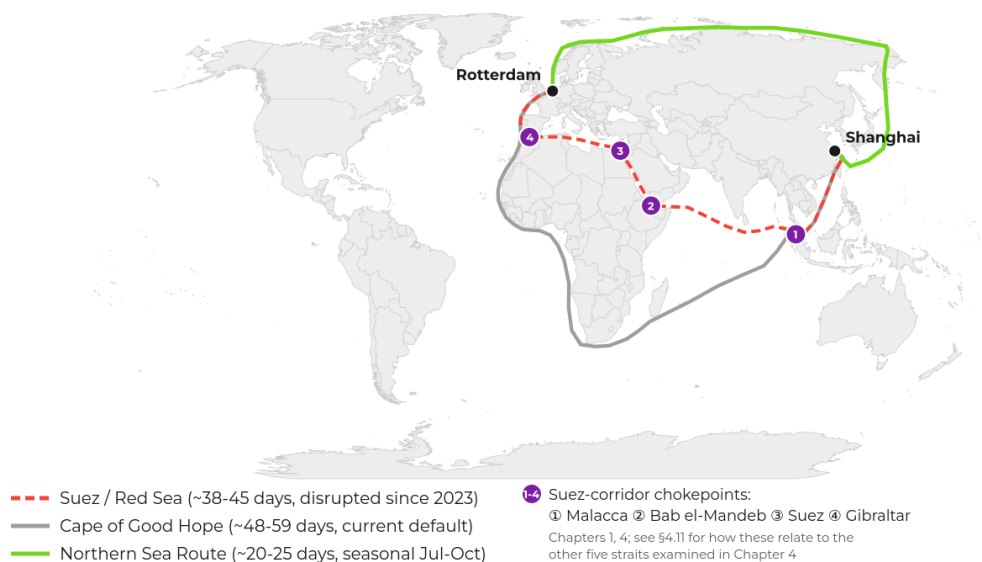
A genuinely new driver has entered the picture that the original report could not have anticipated: the direct entanglement of Russia and China's sanctions-evasion shadow fleet networks with the crisis, addressed in Chapter 4's discussion of the Strait of Gibraltar. Iran's closure of Hormuz raised global oil prices in ways that materially benefited Russia's sanctioned export revenues even as it complicated China's oil import logistics, and the resulting incentives have shaped shadow fleet routing decisions across multiple straits far from the Persian Gulf itself.

CHAPTER 2

Restructuring Global Shipping Networks Under Dual Crisis

Figure 2.1 — Three Routes Between Asia and Europe, and the Suez Corridor's Pressure Points

Schematic routes, not precise nautical tracks. Numbered markers: chokepoints on the Suez corridor. Journey times are Shanghai-origin approximations.



Basemap: Natural Earth via world-atlas/topojson. Journey times: Global Times, Sea Legend, Carra Globe. ISDO compilation, August 2026.

Figure 2.1: Three routes between Asia and Europe: Suez/Red Sea, the Cape of Good Hope, and the seasonal Northern Sea Route. Numbered markers ①-④ show where Malacca, Bab el-Mandeb, Suez, and Gibraltar sit along the single Suez corridor; see §4.11. Schematic paths, not precise nautical tracks. Journey times are Shanghai-origin approximations; see Chapters 1 and 3. Source: ISDO compilation.

2.1 The Cape Route: From Baseline to Overload

The Cape of Good Hope route, which ISDO's original report described as having moved from emergency response to structural baseline over 2024-2025, has now absorbed a second wave of diverted traffic on top of a base that had never fully unwound. Container liners that had begun cautiously testing Suez transits in late 2025 and early 2026 either suspended those trials or reverted to Cape-only scheduling once the Hormuz crisis began and the Houthis resumed attacks. CMA CGM's ultra-large container vessel Jacques Saadé transited Suez on December 23, 2025, an event carriers and canal officials alike treated as a signal that 2026 might bring a genuine return of large-vessel traffic; the Hormuz war, breaking out barely nine weeks later, cut that signal off before it could be confirmed by a broader pattern.

The operational consequence has been renewed and, in places, worse congestion than the original report described for 2024. Rotterdam, Antwerp, and Hamburg have again reported berth waiting times well above their pre-crisis baselines as Cape-routed vessels arrive in irregular clusters rather than the predictable rhythm shipping schedules assume. Singapore's transshipment congestion, which the original report characterized as a paradoxical consequence of carriers discharging larger volumes to recover schedule delays, has if anything intensified, compounded now by the piracy dynamic in the adjacent Malacca Strait discussed in Chapter 4.

2.2 War Risk Insurance and the Economics of Avoidance

The insurance dynamics ISDO's original report identified as the structural mechanism sustaining Cape-route dominance even after Houthi attack frequency declined have, if anything, become more pronounced. Red Sea war risk premiums remain roughly ten times their pre-2023 baseline even after the partial calming of Houthi activity

through late 2025, and the Hormuz premium documented in Chapter 1 has introduced an entirely new cost layer for any vessel whose routing brings it near the Persian Gulf at all, including many tankers that have no intention of transiting Hormuz itself but operate in waters where insurers now apply a regional risk loading.

This has produced a subtle but consequential shift in carrier behaviour relative to the pattern the original report documented. Where 2024–2025 carrier strategy centred on a binary choice between Suez and Cape routing for a given voyage, 2026 underwriting practice increasingly prices risk by specific corridor segment and by week, reflecting the genuinely higher-frequency volatility of a crisis that has opened and closed multiple times. Several major insurers have moved toward shorter-duration war risk policies, in some cases renewable weekly rather than quarterly, a structural change in how the industry prices Middle East transit risk that is likely to persist even after the underlying conflict resolves.

The premium itself is worth pausing on as a mechanism, not only as a cost line. It functions much as the economist Friedrich Hayek described prices doing more generally: aggregating dispersed, tacit information, held by no single actor, about a corridor's risk level and compressing it into one number that any shipper, bank, or charterer can act on without independently assessing Iranian naval deployments, Houthi attack patterns, or the reliability of a given ceasefire. No central authority, ISDO's own scenario analysis in Chapter 7 included, computes the Hormuz or Red Sea war risk premium from first principles; it emerges from hundreds of underwriters pricing individual risk in parallel, which is also why it moves faster than the physical transit data this report otherwise relies on, the premium prices the crisis before the ships themselves reflect it.

2.3 Port and Corridor Winners and Losers, Updated

The winners ISDO's original report identified, West African transshipment hubs, East African ports along the Cape route, and alternative Mediterranean gateways, have generally consolidated their gains through 2026 rather than seeing them reversed. West African container volumes, which the original report described as having expanded roughly 50% over less than a decade, continued growing through the first half of 2026 as Cape traffic remained structurally elevated rather than receding. Durban and Cape Town, the two principal South African bunkering and transshipment points along the Cape corridor itself, have seen sustained call volumes from vessels needing to refuel or reposition crew roughly midway through the Europe-Asia diversion, a function neither port performed at comparable scale before 2024. Tangier Med, positioned at the Mediterranean's Atlantic gateway rather than inside the Suez-dependent basin, has continued to benefit from carriers restructuring hub-and-spoke networks around it precisely because its geography is indifferent to whether a given voyage ultimately routes via Suez or the Cape.

A less obvious contributor to the Cape route's structural elevation, examined from a different angle in Chapters 5 and 6, is Panama rather than the Middle East at all: LNG and dry bulk carriers that shifted away from the canal toward the Cape during the 2023–2024 drought restrictions have in a meaningful share of cases not returned even after Panama's water levels and transit slots recovered, adding a second, independent source of Cape traffic that has nothing to do with Red Sea avoidance and that complicates any simple attribution of 2026 Cape volumes to the Hormuz and Houthi disruptions alone.

The clearest new loser is Egypt, whose Suez Canal Authority revenue trajectory has become even more volatile than the sharp decline the original report documented. Fiscal year 2024/2025 revenues had already fallen 45.5% from the prior year's \$6.6 billion. The early signs of recovery evident in the first half of FY2025/2026, with transits, tonnage, and revenue all posting double-digit gains against a depressed base, were undercut by the Hormuz-driven Houthi resumption in March 2026, though a partial rebound was visible again in the most recent reported quarter as Gulf tanker traffic rerouted through Suez in the periods when Hormuz was most severely constrained. Egyptian officials continue actively courting carriers back to the canal with commercial incentives, a strategy the original report noted was already underway in late 2025 and that the current volatility has made more urgent rather than less.

Indicator	As of original report (Feb 2026)	As of this report (Aug 2026)
Cape of Good Hope share of Asia-Europe traffic	~80% (mid-2024)	~75-85%, with sharper week-to-week swings tied to Hormuz cycle
Suez Canal daily transits	35-45 (stabilizing, late 2025)	5-45, cycling with Hormuz ceasefire status
Container losses at the Cape (annual)	~200 (2024, 35% of global losses)	Elevated; full-year 2026 data not yet available
War risk premium, Red Sea transit	0.75% (peak 2024), 0.10% (pre-2023)	0.55-0.75%, still ten times pre-2023 baseline

Table 2.1: Selected shipping network indicators, before and after the Hormuz crisis. Figures are approximate and compiled from carrier, insurer, and port authority public reporting; see Annex B.

2.4 Supply Chain and Inflation Transmission

The inflation transmission mechanism ISDO's original report quantified for the 2024-2025 Red Sea disruption, an estimated 0.3-0.5 percentage point contribution to global food price inflation and a comparable manufacturing cost effect, has a direct sequel in the macroeconomic scenario report ISDO's Economics and Social Affairs Department published this same month. That report's central case for European inflation in the second half of 2026 explicitly attributes a meaningful share of the projected 3.0-3.3% headline HICP reading to what it terms the Middle East energy shock, a framing built substantially around the Hormuz closure's effect on Brent crude and European natural gas benchmarks rather than the Red Sea disruption in isolation.

This report does not attempt to duplicate that macroeconomic modelling. It notes instead that the transmission channel is now doubled relative to the situation ISDO described in February: freight rate and delay effects from Red Sea rerouting operate alongside a much larger energy price shock from Hormuz, and the two interact through fuel costs for the shipping industry itself, since higher bunker fuel prices raise the cost of the very Cape diversions that the Red Sea crisis makes necessary. A vessel rerouting around Africa to avoid the Red Sea now pays more for the additional fuel that route requires because the same underlying conflict that necessitated the diversion has also raised the price of fuel.

CHAPTER 3

Polar and Southern Maritime Frontiers: 2026 Progress

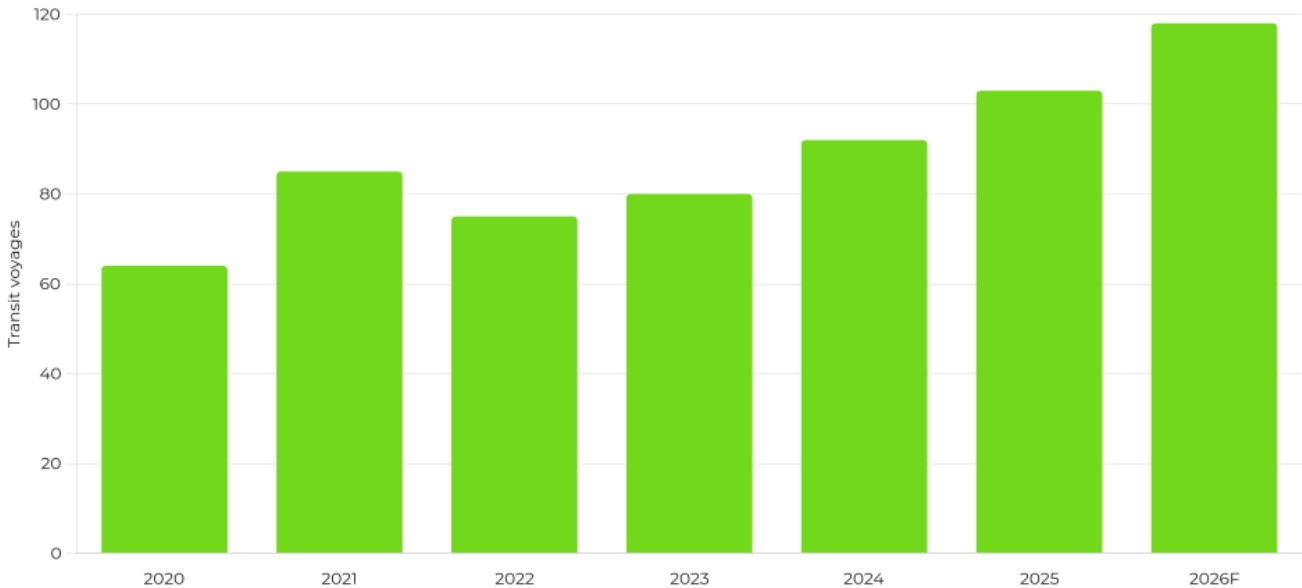
3.1 The Northern Sea Route in the 2026 Season

ISDO's original report described the Arctic Sea Route as transitioning from theoretical curiosity to operational corridor, citing 2025 figures of 103 transit voyages and roughly 3.2 million tonnes of cargo, both records at the time. The 2026 shipping season, now underway, extends that trajectory in ways that are directly connected to the Middle East disruption documented in Chapters 1 and 2 rather than developing independently of it. Figure 2.1 in the preceding chapter maps the route alongside its Suez and Cape alternatives; the day-count gap shown there is the single fact that best explains why Chinese operators are willing to accept a narrow, ice-constrained seasonal window in exchange for the time saved.

The single most consequential 2026 development is commercial rather than climatic. Hong Kong-based operator Sea Legend has launched what industry reporting describes as the first regularly scheduled container service on the Northern Sea Route, running eight weekly sailings between mid-August and early October 2026 on the strength of a 2025 trial voyage by the container ship Istanbul Bridge, which completed a Ningbo-to-Felixstowe transit in twenty days. Sea Legend's own published figures put transit time to Hamburg at twenty to twenty-two days, competitive with rail freight and dramatically faster than the Suez or Cape alternatives currently available given the disruptions documented earlier in this report.

Figure 3.1 — Northern Sea Route Transit Voyages, 2020–2026

2026 figure is a partial-year estimate based on confirmed scheduled sailings as of August 2026 (F = ISDO estimate).



Source: Rosatomflot; NSR Administration; ISDO compilation, August 2026.

Figure 3.1: Northern Sea Route transit voyages, 2020–2026. The 2026 figure is a partial-year estimate based on confirmed scheduled sailings as of August 2026. Source: Rosatomflot; NSR Administration; ISDO compilation.

The China Shipowners' Association has been explicit about the connection between Arctic route adoption and Middle East instability. In public comments accompanying the 2026 sailing schedule announcements, the CSA described the Arctic corridor's chief commercial advantage as bypassing what it termed high-risk waters including the Red Sea and the Strait of Malacca, language that treats Arctic routing as a security hedge as much as a distance-saving measure. This marks a shift from the framing ISDO's original report documented, in which Arctic adoption was driven primarily by the direct economics of a shorter route rather than by explicit avoidance of a specific active conflict zone.

Major Western container lines have not followed. Mediterranean Shipping Company, the industry's largest carrier by capacity, reiterated in comments reported in May 2026 that it does not and will not use the Northern Sea Route, a position consistent with the sanctions, insurance, and reputational considerations ISDO's original report identified as constraints on Western carrier adoption. The result is a bifurcated Arctic shipping market: a small but growing Chinese and Russian-linked commercial ecosystem operating regular services, and near-total absence of the major Western lines that dominate global container capacity.

Year	NSR transits	Total cargo (Mt)	Chinese container voyages	Note
2023	80	34.0	—	Baseline post-pandemic growth
2024	92	37.9	11	Chinese container voyages rise to 11 (from 7 in 2023)
2025	103	37.0	14	Record year; container cargo 2.6x 2024; first Turkish-operated non-Russian transit
2026 (est.)	~118	~40.0	~18-20 (ISDO est.)	Sea Legend launches first regular scheduled Asia-Europe container service, Aug-Oct

Table 3.1: Northern Sea Route activity, 2023-2026. 2026 container voyage figure is an ISDO estimate extrapolated from confirmed H2 sailings, not a reported total. Source: Rosatomflot; NewNew Shipping and Sea Legend public disclosures; ISDO compilation, August 2026.

3.2 Great Power Competition, Updated

The Russia-China-NATO dynamics ISDO's original report analyzed at length have developed along the lines that report anticipated rather than in any surprising new direction, with one exception worth flagging: the approaching January 2027 EU ban on Russian LNG imports, which as of February 2026 had not measurably reduced European purchases of Yamal LNG, the cargo that generates the bulk of NSR hydrocarbon tanker traffic. As that ban's implementation date nears through the remainder of 2026, it is likely to force a reconfiguration of NSR cargo flows toward Asian buyers, a shift that would reinforce rather than weaken the China-Russia commercial relationship on the route that the original report described as a source of Russian strategic anxiety.

NATO's capability gap relative to Russia's icebreaker fleet, which the original report quantified at roughly three to one in Russia's favour, has not closed materially over the intervening six months, and the diversion of Western naval and diplomatic attention toward the Hormuz and Red Sea crises documented in Chapter 1 has if anything reduced the bandwidth available for Arctic capability investment during 2026. South Korea's scheduled September 2026 evaluation transit, intended to test whether Korean carriers could replicate the Sea Legend model, will be a useful indicator of whether non-Chinese Asian interest in the route is broadening.

3.3 Antarctic and Southern Ocean Routes

Little has changed on the Antarctic front since ISDO's original report, which is itself the expected outcome given that report's own assessment of a multi-decade horizon before Southern Ocean routes become commercially relevant. No developments since February 2026 alter that assessment. The governance gaps the original report identified, particularly around non-SOLAS vessel regulation and enforcement capacity across the Antarctic Treaty area, remain unaddressed, and the Middle East crises documented in this report have further reduced the diplomatic attention available for advancing Antarctic shipping governance, which was already a low priority relative to more immediate chokepoint crises.

3.4 Interconnected Theatres: From Hormuz to the Arctic

The clearest evidence that Arctic and Middle Eastern maritime dynamics are no longer separable theatres is the CSA's own stated rationale for 2026 Arctic route expansion, quoted above. A shipping route conceived and marketed for over a decade primarily in terms of distance and fuel savings is now being marketed explicitly as a security alternative to a war zone thousands of kilometres away. This is a structural validation of the thesis ISDO's original report advanced in its own Section 3.4: that Red Sea, Cape, and polar routing decisions are interdependent rather than independent, such that a shock to any one corridor changes the calculus for all the others.

The same logic extends to naval presence. Western navies stretched by escort and monitoring commitments in the Persian Gulf and Red Sea, documented in Chapter 1, have correspondingly less capacity available for Arctic surveillance, Gulf of Guinea anti-piracy patrols, or the Indian Ocean naval diplomacy discussed in Chapter 4. Maritime security in 2026 is best understood as a single global system under simultaneous, correlated strain rather than as a set of independent regional crises that happen to be occurring at the same time.

CHAPTER 4

The New Geography of Strategic Straits

The nine corridors examined in this chapter span five seas and two oceans, from the Black Sea's only maritime exit to the strait that carries the world's most advanced semiconductors, yet each has become more strategically salient in 2026 for reasons this report traces substantially back to the Hormuz and Red Sea disruption documented in Chapter 1. The map below orients the analysis that follows before turning to each strait in turn.

Figure 4.1 — Strategic Maritime Chokepoints Analyzed in This Report

Numbered markers: the nine straits examined in Chapter 4. Red: the Hormuz/Red Sea theatre covered in Chapter 1, shown for geographic reference.



Basemap: Natural Earth via world-atlas/topojson. Marker positions are approximate. ISDO compilation, August 2026.

Figure 4.1: Strategic maritime chokepoints analyzed in this report. Numbered lime green markers indicate the nine straits examined in this chapter; red markers show the Hormuz/Red Sea theatre covered in Chapter 1, included for geographic reference. Basemap: Natural Earth.

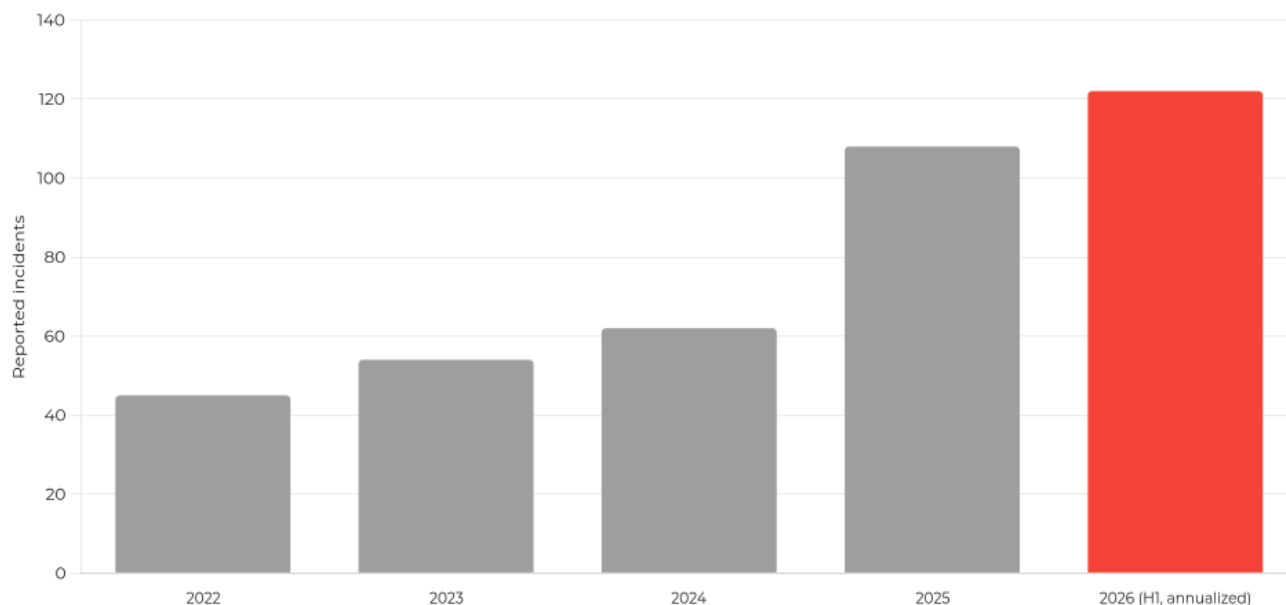
Source: ISDO compilation.

4.1 The Strait of Malacca: Congestion, Piracy, and the China Dilemma

Roughly 90,000 vessels and something like a quarter of global seaborne trade pass through the Strait of Malacca and the adjoining Singapore Strait in an ordinary year, a volume that makes the corridor's 2025-2026 piracy surge a genuinely consequential development rather than a peripheral security footnote to the Middle East crisis. Re-CAAP Information Sharing Centre data show reported piracy and armed robbery incidents rising from 62 in 2024 to 108 in 2025, a 74% increase, with the trailing twelve-month figure through July 2026 reaching 122 incidents, up a further 34% year-on-year.

Figure 4.2 — Piracy and Armed Robbery Incidents, Malacca–Singapore Straits

2026 figure reflects trailing twelve-month reporting as of July 2026, coinciding with rerouted Middle East-linked traffic.



Source: ReCAAP Information Sharing Centre; ISDO compilation, August 2026.

Figure 4.2: Piracy and armed robbery incidents, Malacca-Singapore Straits, 2022-2026. Source: ReCAAP Information Sharing Centre; ISDO compilation.

Regional maritime security analysts, including reporting in *The Diplomat* and the French outlet *L'Express* during July 2026, attribute the rise substantially to the same rerouting dynamics documented in Chapter 2: vessels that would otherwise transit the Suez-Red Sea corridor are increasingly favouring Asia-Pacific routings that pass through or near Malacca, increasing traffic density and, some analysts argue, straining the naval and coast guard bandwidth of Indonesia, Malaysia, and Singapore relative to the volume they must monitor. Bulk carriers accounted for roughly 52% of targeted vessels in the most recent ReCAAP reporting period, consistent with the pattern of opportunistic, largely non-violent theft that has characterized most incidents rather than the hostage-taking or vessel seizure associated with the worst years of Somali piracy.

Beneath the immediate piracy statistics sits a longer-standing strategic anxiety that the current disruption has sharpened rather than created. Chinese strategic writing has referred to a Malacca dilemma, the concern that a hostile power could interdict the roughly 80% of Chinese crude oil imports that transit the strait, since at least the mid-2000s. The *Diplomat's* July 2026 analysis draws an explicit parallel between Iran's demonstrated willingness to close Hormuz and the vulnerability Malacca represents for China, and notes that alternative Indonesian passages, the Lombok, Sunda, and Makassar straits, offer only partial mitigation: Lombok is deep enough for the largest tankers but adds meaningful distance, while Sunda's shallower and more complex geography limits its use to smaller vessels.

The practical policy response so far has been incremental rather than structural: continued trilateral patrols among the littoral states, and Chinese exploration of the alternative Indonesian straits as a partial hedge rather than a genuine substitute. No credible near-term development would materially reduce Malacca's centrality to Asian trade, which is precisely why the corridor's rising piracy and its role as a release valve for Middle East-driven rerouting deserve more sustained attention than they have so far received relative to the Hormuz and Red Sea coverage documented in Chapter 1.

4.2 The Strait of Gibraltar: Shadow Fleets and NATO's Southern Flank

Gibraltar's emergence as an active theatre of maritime security operations in 2026 has a different character from Malacca's: it is driven by sanctions enforcement against Russia's oil export shadow fleet rather than by piracy or

by any direct territorial dispute. The strait's function as the sole maritime gateway between the Mediterranean and the Atlantic makes it a natural chokepoint for monitoring and, on occasion, intercepting the more than 1,000 aging tankers the Royal Navy and allied intelligence services estimate now move Russian oil in circumvention of Western sanctions.

The fleet's persistence despite sustained interdiction, documented throughout this chapter, is a predictable response to a price distortion rather than a security failure specific to any one navy. Sanctions on Russian oil create a wedge between the world price and the discounted price Russian crude fetches once sanctions risk is priced in, and that wedge is wide enough to fund an entire parallel shipping industry willing to accept older vessels, opaque ownership, and interdiction risk in exchange for capturing the spread. Every enforcement measure documented in this chapter, boardings, detentions, new legislation, has so far shifted the fleet's routing rather than eliminated it, consistent with a pattern economists have long observed around prohibition-style trade restrictions: the harder a price control or trade barrier is enforced, the more sophisticated and costly the evasion infrastructure that emerges to route around it, without necessarily reducing the underlying volume of trade the restriction was meant to stop.

Documented interdiction operations through 2026 illustrate the pattern. French naval forces boarded the tanker *Grinch*, sanctioned and linked to Russian oil exports from Murmansk, in the Alboran Sea just east of Gibraltar in January 2026, with British tracking support from the Royal Navy's HMS *Dagger*; a further French boarding of the tanker *MV Deyna* followed, supported by HMS *Cutlass*. UK Defence Secretary John Healey has described disrupting the shadow fleet as a standing government priority, and in March 2026 the UK for the first time exercised new legal powers to detain a shadow fleet vessel, the Cameroon-flagged tanker *SMYRTOS*, in the English Channel, a Gibraltar-adjacent theatre in the sense that shadow fleet operators appear to be adjusting routing across both chokepoints in response.

That adjustment is itself informative. *Militarnyi's* June 2026 reporting on the *SMYRTOS* detention documented several shadow fleet tankers abruptly rerouting away from the English Channel toward North Atlantic passages around Ireland following the seizure, a pattern that mirrors, on a smaller and less lethal scale, the routing sensitivity to enforcement risk that this report documents for Hormuz and the Red Sea. Sanctions-evasion shipping, like conflict-zone shipping, responds quickly and measurably to changes in perceived interdiction risk, even when the underlying economic incentive to move the cargo remains constant.

For NATO, Gibraltar's practical significance in 2026 lies less in any prospect of formal closure, which no party has threatened, than in its role as a persistent friction point in an already strained Russia-NATO relationship. Repeated boardings of Russian-linked vessels in a strait immediately adjacent to Spanish and British (Gibraltarian) territorial waters carry an inherent, if so far contained, escalation risk that the original Red Sea report's discussion of naval presence and incident risk, focused on Bab el-Mandeb and the Gulf of Aden, did not need to address.

A second, distinct form of pressure on this same geography surfaced in an unrelated register at the end of July: on July 30-31, 2026, an estimated 50,000 to 72,000 people crossed from Morocco into the Spanish city of Ceuta, most swimming around the border breakwaters at El Tarajal, the largest single crossing event Spain's Interior Ministry has recorded at that frontier since 2021. This is a migration and border-security story, not a shipping one, and this report does not fold it into the shadow-fleet pattern documented above. It is nonetheless a reminder that the strait's naval-security narrative alone can obscure something broader: this narrow crossing between Europe and Africa concentrates more than one contested sovereignty at once, Gibraltar itself disputed between Britain and Spain, Ceuta and Melilla never formally recognized by Morocco as Spanish, and each resident power, Spain, the UK, Morocco, and now Russia by way of the shadow fleet, has at some point turned the strait's geography into a bargaining chip rather than treated it as a settled border. Morocco's own relaxation of border controls in 2021, widely read at the time as retaliation for Spain's hosting of a Polisario Front leader, is the clearest precedent for migration flows themselves being used this way, and the strait's incipient geostrategic weight in 2026 owes as much to that layered, unresolved sovereignty picture as to any single actor's naval activity.

4.3 The Mozambique Channel: LNG, Insurgency, and Great Power Competition

The Mozambique Channel does not carry Malacca's trade volume or Gibraltar's sanctions-enforcement traffic, but it has become a strategically salient corridor in 2026 for a reason specific to the wider crisis this report documents: the direct linkage its energy security analysts and press coverage draw between Gulf supply disruption and the urgency of developing alternative LNG sources, of which Mozambique's Rovuma Basin reserves rank among the largest still short of full production.

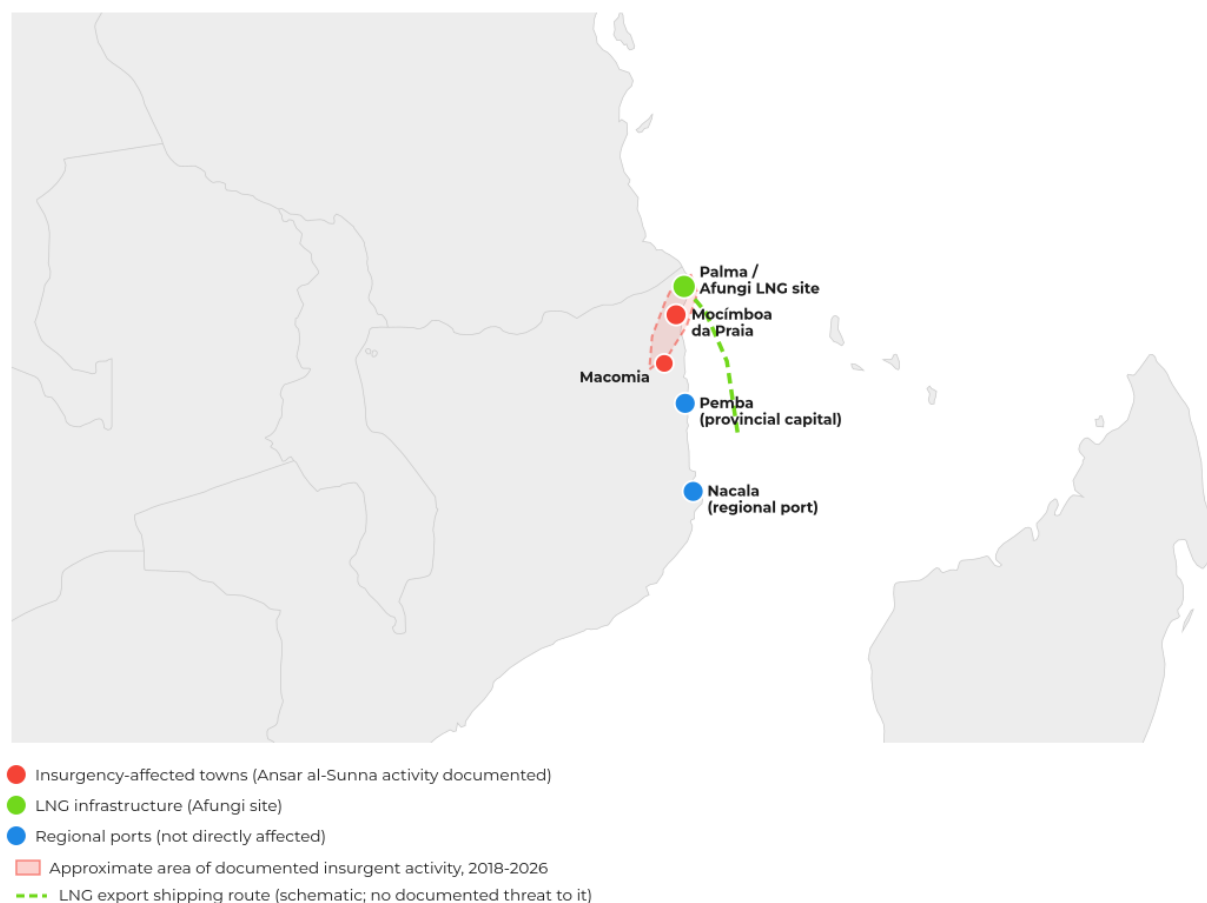
TotalEnergies' \$20 billion Mozambique LNG project, suspended since a 2021 insurgent attack on the nearby town of Palma forced a declaration of force majeure, restarted construction in January 2026 with roughly 4,000 workers mobilized at the Afungi Peninsula site. Coverage of the restart has explicitly framed it against the backdrop of Gulf instability: reporting from Pravda Germany's English service in May 2026 tied the restart directly to Brent crude trading above \$115 per barrel and to the assessment that roughly one-fifth of global LNG flows faced disruption risk through Hormuz, positioning Mozambican gas as a hedge against exactly the kind of Middle East supply shock documented in Chapter 1.

Security in Cabo Delgado remains fragile and dependent on external military support rather than resolved. Rwanda has deployed an estimated 5,000 troops to the province, with roughly 3,000 specifically tasked with protecting the LNG site and the towns of Palma and Mocímboa da Praia, but Rwandan officials have periodically signalled that continued deployment depends on adequate international funding, introducing a standing risk to project continuity that has nothing to do with Middle East dynamics directly but is being monitored by the same energy security analysts now focused on Gulf supply risk. Reporting in 2026 has also documented Russian overtures, through its Africa Corps successor to the Wagner Group, to offer security assistance in the province, raising the prospect of the same Russia-West competition dynamic visible in the Gibraltar shadow fleet context extending into East African LNG security.

The energy-security framing that dominates most 2026 coverage of Cabo Delgado, this report's own treatment above included, risks understating the human cost the insurgency has already extracted. The Armed Conflict Location and Event Data Project puts the death toll since the insurgency began in 2018 at more than 6,400, in a province where over 80% of the population lived below the \$3-a-day poverty line even before the violence began. That imbalance has not gone unnoticed by TotalEnergies' own financiers: British and Dutch export credit agencies withdrew from roughly \$2.2 billion in loan guarantees shortly before the project's January 2026 restart, citing human rights concerns, a decision that sits uneasily alongside the same restart's framing as a hedge against Gulf energy risk. Both things are true at once, and this report treats the humanitarian and the geostrategic readings of Cabo Delgado as complementary rather than competing accounts of the same province.

Figure 4.3 — Cabo Delgado: Insurgency-Affected Areas and LNG Infrastructure

Land-based insurgency footprint relative to coastal energy infrastructure. Not a naval or shipping-threat assessment; see §4.3.



Basemap: Natural Earth via world-atlas/topojson. Affected area is illustrative, not an official boundary. No naval or anti-ship capability is documented for insurgent groups in this province. Source: ACLED; ISDO compilation, August 2026; see §4.3, Annex B.

Figure 4.3: Cabo Delgado: insurgency-affected areas relative to the Afungi LNG site and regional ports. Ansar al-Sunna is a documented land-based insurgency; no naval or anti-ship capability is reported in the sources this report draws on, and the map does not assess a shipping threat. Source: ACLED; ISDO compilation, August 2026.

An EU military training and capacity-building mission in Mozambique faces its own extension decision in the 2027-2028 window, and analysis by risk consultancy Discovery Alert frames the decision using a three-scenario structure, extension approved, delayed, or denied, that maps closely onto the kind of scenario methodology this report and ISDO's parallel macroeconomic report both employ, evidence that structured scenario planning has become a common analytical response to the compounding, multi-actor uncertainty that characterizes 2026 across sectors as different as European monetary policy and East African insurgency management.

4.4 Sri Lanka and the Indian Ocean: Hambantota Between Delhi and Beijing

Hambantota port, leased to China Merchants Port Holdings for 99 years since 2017 in a deal that became a by-word for debt-trap diplomacy concerns, sits near one of the busiest sea lanes in the world, the corridor linking the Strait of Malacca to the Suez Canal through which a large share of Asia-Europe trade passes. Its strategic significance in 2026 has less to do with any Hormuz or Red Sea linkage than with the steady intensification of India-China competition for Indian Ocean access and influence, a competition that the wider chokepoint anxiety documented elsewhere in this report has arguably heightened rather than created.

India's response through 2026 has shifted from purely defensive objection, its historical posture toward Chinese naval and research vessel visits to Hambantota, toward direct commercial counter-positioning. The Diplomat re-

ported in April 2026 that an Indian shipyard's \$26.8 million acquisition of a stake in a competing Sri Lankan port asset marked the first international acquisition by an Indian public or private shipyard, a modest transaction in dollar terms but one Indian officials and analysts characterize as a structural shift in New Delhi's willingness to compete commercially rather than only diplomatically for Indian Ocean port influence.

Hambantota itself has continued its trajectory from what Chinese state media once called a loss-making white elephant toward a genuine transshipment success by regional standards, handling growing vehicle transshipment volumes and anchoring a \$4.5 billion Sinopec refinery investment, the largest foreign direct investment in Sri Lankan history when it was approved. Sri Lanka's position, caught between a dominant Chinese commercial and infrastructure relationship and Indian security anxieties over the same infrastructure, illustrates a pattern this report's Chapter 5 returns to at greater length: the way great-power competition increasingly plays out through port ownership, investment, and access arrangements rather than through direct naval confrontation, a form of maritime geopolitics that operates on a different, slower timescale than the acute crises documented in Chapters 1 and 2 but that shapes the underlying infrastructure those crises depend on.

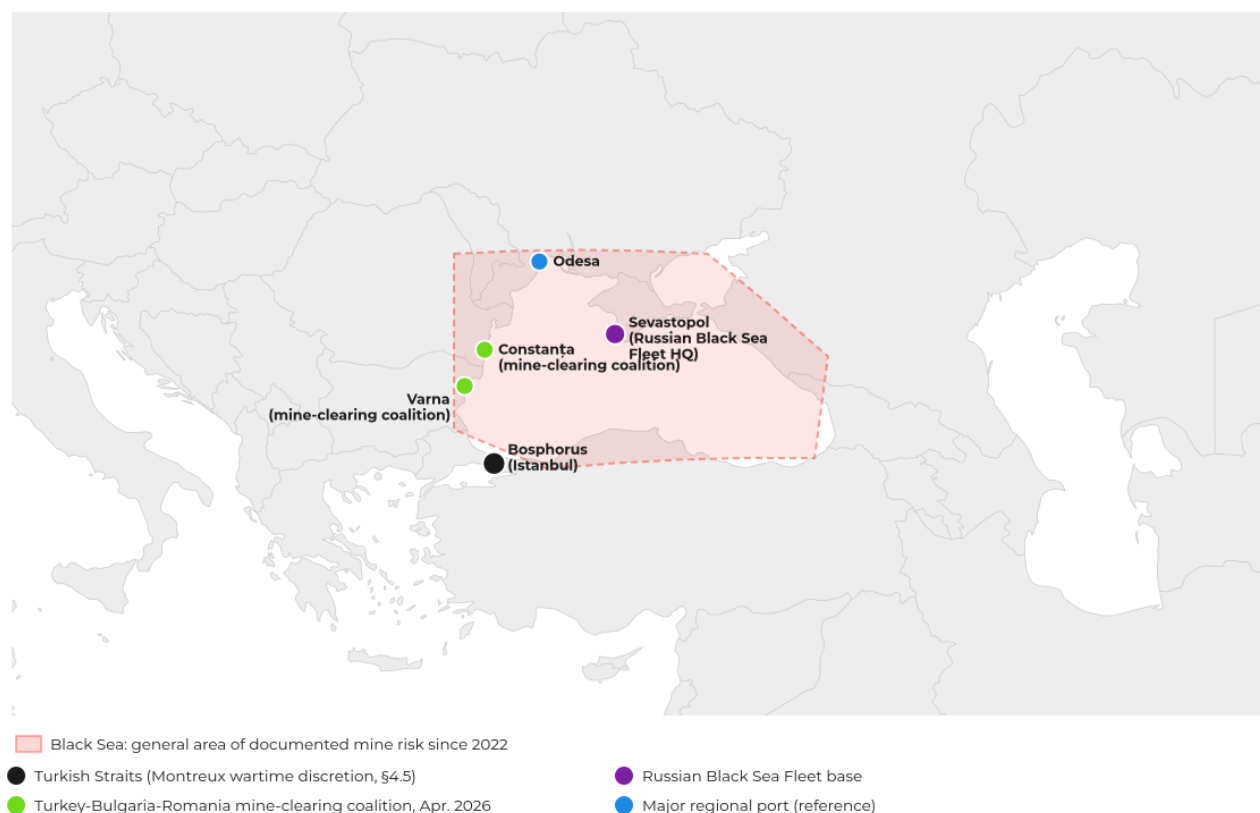
4.5 The Bosphorus and Dardanelles: Montreux at Ninety

The Turkish Straits, the Bosphorus and the Dardanelles, linked by the Sea of Marmara, form the only maritime route between the Black Sea and the Mediterranean, and consequently the only sea route in or out for Ukraine, Georgia, and Russia's Black Sea Fleet alike. Their governance sits apart from every other corridor in this chapter: the 1936 Montreux Convention gives Turkey, not a multilateral body, sole discretion over warship passage in wartime, a discretion Ankara invoked on February 28, 2022, four days into the full-scale invasion, and has maintained without interruption since. The convention turns ninety on July 20, 2026, a milestone Turkish officials have marked by stressing continuity rather than reform.

That continuity has not meant strict enforcement. Ukrainian officials have voiced open frustration that Turkey tolerates Russian shadow-fleet tankers transiting the straits in plain view, some carrying grain Kyiv says was seized from occupied Ukrainian territory, others delivering crude to Turkish refineries under arrangements that fall outside the Montreux warship restrictions entirely, since the convention imposes no comparable limits on merchant shipping. Yörük Işık, a ship-tracking analyst who runs the consultancy Bosphorus Observer, told researchers in May 2026 that the more flagrant violations, roll-on-roll-off vessels suspected of carrying weapons in breach of the convention, had stopped over the preceding year, a partial improvement Işık attributed to sustained monitoring rather than to any change in Turkish policy. Turkey has simultaneously moved to assert a larger regional security role: an Istanbul-based maritime coordination initiative announced in April 2026 pairs Turkish naval assets with Bulgaria and Romania on Black Sea mine-clearing operations, explicitly positioned as an alternative to a broader NATO naval presence Ankara has discouraged.

Figure 4.4 — The Black Sea Mine Risk Zone and the Bosphorus

General area of documented mine risk since 2022, not a minefield map. No precise mine locations are shown or estimated; see §4.5.



Basemap: Natural Earth via world-atlas/topojson. Risk area is illustrative and covers the whole basin; no specific mine positions are known or estimated by this report. Source: ISDO compilation, August 2026; see §4.5, Annex B.

Figure 4.4: *The Black Sea mine risk zone and the Bosphorus. General area of documented mine risk since 2022; this report does not identify or estimate specific mine locations. Source: ISDO compilation, August 2026.*

Unlike Hormuz's PGSA, documented in Chapter 1, or Suez and Panama, Montreux forbids Turkey from charging transit fees to merchant vessels, a structural constraint that has kept the Bosphorus out of the toll-regime controversies reshaping other corridors even as its wartime governance grows more contested. The strait's exposure in this report's terms is therefore concentrated less in trade-volume terms than in naval and alliance terms, it is Russia's only warm-water route to the Mediterranean and the Black Sea Fleet's sole reinforcement corridor, which is precisely what Turkey's wartime discretion under Montreux constrains.

4.6 The Panama Canal: Sovereignty as the New Chokepoint Currency

Panama's 2026 story, examined from the drought and transit-capacity angle in Chapter 5, has a second and more overtly geopolitical dimension centred not on water levels but on who operates the ports at either end of the canal. Since taking office in January 2025, President Trump has repeatedly claimed, without evidence Panamanian officials or the Panama Canal Authority have accepted, that *China is operating the Panama Canal* and pledged to “take it back.” The claim rested substantially on CK Hutchison, the Hong Kong conglomerate that had operated the Balboa and Cristóbal container ports under a concession renewed in 2021 for a further twenty-five years.

That arrangement ended on January 29, 2026, when Panama's Supreme Court ruled the concession unconstitutional, following a comptroller's audit that alleged irregularities in the 2021 renewal; the ruling was formally published in Panama's Official Gazette on February 23. The decision landed as a clear win for the Trump administra-

tion's Western Hemisphere security agenda, Secretary of State Rubio had made Panama his first overseas stop in the role, and Beijing's response was correspondingly sharp: China's Ministry of Foreign Affairs vowed Panama would pay a heavy political and economic price, and Bloomberg later reported Beijing had directed state firms to halt talks on new Panama projects and urged shipping companies to consider rerouting cargo through other ports. Panama split interim operations between the country's two largest carriers rather than handing them to one: APM Terminals, Maersk's subsidiary, took over Balboa on the Pacific side, while Terminal Investment Limited, owned by Mediterranean Shipping Company, took Cristóbal on the Atlantic side.

CK Hutchison has not treated the ruling as final. Its Panama subsidiary expanded its arbitration claim against the Panamanian state in late March to more than \$2 billion in damages, and in early April opened a second, separate arbitration in London against Maersk itself, accusing the Danish carrier of colluding with Panama's government, in the company's own words undermining the contract and aligning with the state's campaign to replace PPC through a takeover that installed new port operators. Maersk has rejected the allegations. The dispute remains open on both fronts as this report goes to press, a live illustration of how a sovereignty contest triggered by a court ruling in January had, by mid-2026, generated two parallel international legal proceedings without resolving the underlying question of who will operate Balboa and Cristóbal for the long term.

The dispute connects directly to the Hormuz-era portfolio questions documented in Chapter 1: the same CK Hutchison, before the Panama ruling, had already agreed to sell 43 ports worldwide, including terminals at Suez, the Strait of Malacca, and the Bab el-Mandeb approaches, to a BlackRock-MSK consortium, a sale Beijing stalled by demanding state-owned COSCO Shipping receive a stake. Panama has become, in effect, the test case for whether Washington can compel the unwinding of Chinese-linked port operations at a strategic chokepoint through domestic legal process rather than through the kind of direct pressure campaign the broader 43-port sale has attracted. Estimates of the canal's weight in global trade vary with what is measured, gCaptain cites roughly 5% of global maritime trade by volume passing through it, while CNN's reporting on the dispute puts US container traffic dependence as high as 40% annually, but by either measure the canal gives this sovereignty test a scale few of this chapter's other disputes can match. Container throughput at the Panama-side ports themselves has continued growing regardless of the ownership fight, up 3.6% in 2025 on trade-press figures, a reminder that the legal battle over who operates the terminals has not, so far, disrupted the traffic passing through them.

Whatever the merits of Panama's underlying case against the 2021 concession renewal, the manner of its unwinding, a retroactive court annulment following a shift in the political climate rather than a contract dispute resolved on its own commercial terms, carries a cost beyond the immediate parties. Capital theory places particular weight on secure, long-horizon property rights as the precondition for the kind of decades-long infrastructure investment a canal concession represents: an investor pricing a comparable concession anywhere else in the world now has a fresh data point suggesting that a legally granted, decades-long agreement can be annulled once the underlying geopolitics shifts, a risk that should, in a rational capital market, raise the required return on similar investments and therefore their cost. Whether that repricing actually occurs, and how large it is, are empirical questions beyond this report's scope, but the mechanism is one this report's account of the dispute should not omit.

4.7 The Strait of Dover: Naval Escorts and the Contest for the Channel

The Strait of Dover's role in this report has so far been secondary, the offshore destination shadow-fleet tankers reroute toward after enforcement action elsewhere, documented in Chapter 4.2's account of vessels shifting away from the English Channel following the SMYRTOS detention. By April 2026 that secondary role had escalated into direct confrontation. The Russian frigate Admiral Grigorovich was photographed escorting sanctioned merchant tankers through the strait's north-eastern approach on April 18, shadowed by the Royal Navy patrol vessel HMS Mersey in an encounter Navy Lookout described as the UK being deliberately outgunned by the warship it was monitoring rather than positioned to intercept it. The episode marked the first documented case of the Russian navy openly escorting shadow-fleet tankers through a strait under close NATO-ally surveillance, rather than relying on ambiguous flag-of-convenience cover.

UK enforcement has continued regardless. British authorities intercepted a further Russia-linked tanker in the Channel on June 14, 2026, and the government has proposed new legislation specifically targeting subsea cable sabotage, a response to suspicions, not yet fully substantiated, that some of the same vessels operating in the Channel have also been involved in the Baltic cable-cutting incidents documented in the following section. Britain depends on roughly 64 major undersea telecommunications cables for its international connectivity, a dependency that gives the Channel a strategic weight well beyond its function as a shipping lane. The domestic politics have grown pointed as well: former Defence Secretary John Healey resigned in June 2026 accusing the government of underfunding the naval assets needed to contest waters he said Russian submarines had spent a month covertly mapping.

4.8 The Danish Straits and the Baltic Approaches: NATO's Inland Sea Under Hybrid Pressure

The Great Belt, Little Belt, and Øresund, collectively the Danish Straits, are the only maritime connections between the Baltic Sea and the North Sea, and by extension the only sea route linking St Petersburg, Kaliningrad, and the whole of Russia's Baltic coast to the open Atlantic. Since Sweden and Finland joined NATO, the Baltic has become what regional officials now routinely call an alliance inland sea, bordered entirely by NATO members apart from Russia itself, a framing that has sharpened rather than diminished the strategic stakes riding on the straits that connect it to the wider world.

The corridor's 2026 significance runs through hybrid rather than conventional threats. Undersea cable and pipeline damage has recurred through the Baltic since a Chinese-linked vessel severed a gas pipeline in October 2023, continuing through the Eagle S tanker's suspected anchor-drag rupture of the Estlink-2 power cable on Christmas Day 2024, a Latvia-Sweden data cable severed in January 2025 amid sabotage suspicions that led Swedish authorities to board a Bulgarian-flagged vessel, and a further Poland-Sweden cable incident the same May. The Jaguar incident, in which a sanctioned shadow tanker in Estonia's exclusive economic zone refused to comply with Estonian orders while a Russian military jet violated Estonian airspace in what analysts read as air cover for the vessel, illustrates how directly Moscow has been willing to back shadow-fleet operations in these waters. NATO responded with a dedicated Baltic Sentry patrol mission, and by 2026 Russian warships had begun escorting shadow-fleet tankers through the Baltic in the same manner documented for the Channel in the preceding section, evidence that the naval-escort tactic is a deliberate, theatre-spanning choice rather than a one-off response to a single enforcement action.

Figure 4.5 — Documented Baltic Cable and Pipeline Incidents, 2023-2026

Numbered markers keyed to the list below; positions are approximate, based on incident-area reporting.



Figure 4.5: Documented Baltic cable and pipeline incidents, 2023-2026. Marker positions are approximate. Source: ISDO compilation from incident reporting cited above; see Annex B.

4.9 The Taiwan Strait: Silicon, Sovereignty, and the Pacific's Central Chokepoint

The Taiwan Strait carries a different kind of exposure than any other corridor in this chapter: not primarily oil, LNG, or containers, though roughly 30% of global container traffic passes near enough to be affected by any disruption, but semiconductors. Taiwan Semiconductor Manufacturing Company alone accounts for somewhere between 65% and 90% of global advanced-chip fabrication depending on how the figure is drawn, and the industry crossed the \$1 trillion annual valuation threshold on January 1, 2026. The US National Security Council has assessed that a Chinese attack on Taiwan, and the resulting loss of TSMC output, would inflict roughly \$1 trillion in global economic disruption, while the Institute for Economics and Peace has separately estimated a full-scale invasion could cut global economic output by up to 2.8%, an order of magnitude beyond any single-strait disruption estimate elsewhere in this report.

Military signalling intensified through the period this report covers. The People's Liberation Army conducted its Justice Mission 2025 blockade simulation exercises in December, rehearsing the kind of maritime cordon that would, if ever implemented for real, achieve exactly the disruption the NSC and IEP have modelled. Taiwan's own defence ministry has responded by testing the relocation of weapons production and the conversion of civilian factories for military use during annual drills, a hedge against the possibility that Chinese strikes would target supply hubs directly. President Lai Ching-te told a European audience during a 2026 tour that a Taiwan Strait conflict would paralyze one of the world's busiest trade routes, language calibrated to draw European strategic attention to a corridor most European governments have historically treated as a distant Indo-Pacific concern rather than one with direct implications for their own economies.

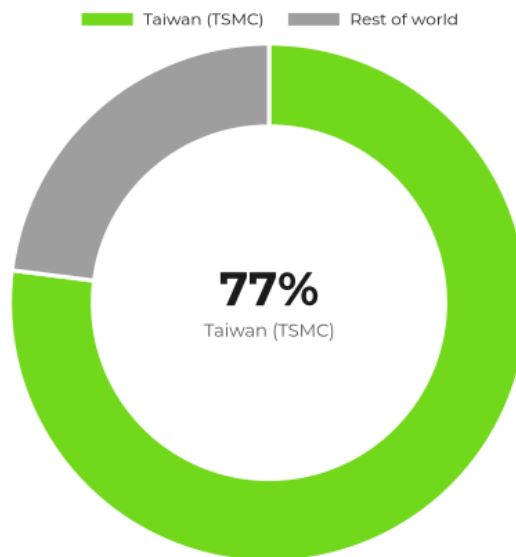
The diversification response already documented in general terms elsewhere in this report's discussion of chokepoint risk is furthest advanced here. TSMC has committed \$165 billion to its Arizona expansion, with a second

fabrication plant producing 3-nanometre chips scheduled to begin output in late 2026 and Apple committed to sourcing Arizona-made chips for select product lines from 2027. India has approved roughly \$19-20 billion across ten domestic fabrication projects as of the end of 2025. None of this diversification changes the near-term picture: Taiwan remains, in the assessment of virtually every source this report draws on for this section, the single most consequential node in the global technology supply chain, and the strait that surrounds it correspondingly the chokepoint whose disruption would be hardest for the rest of the world to absorb.

This report treats that diversification as a straightforward resilience measure, consistent with the recommendation in §8.3, but the scale of public subsidy involved is large enough that the framing deserves a caveat. Economists in the Austrian tradition, sceptical of capital allocation directed by political calculation rather than market price signals, would ask a pointed question about the \$165 billion Arizona commitment and India's parallel program: if diversification away from Taiwan-concentrated fabrication were worth this much to end users, competitive pressure should have produced some of it without subsidy well before 2025. That it did not, on this view, is evidence either of a security externality private firms had no market reason to price in on their own, the more conventional reading, or of capital being allocated to a government's risk assessment rather than a market-tested one, with the malinvestment risk that implies if the underlying geopolitical premise shifts before the new fabs reach full output. This report does not resolve that disagreement between schools of economic thought; it notes only that the diversification's cost has a real opportunity cost against which its security benefit should be weighed, not assumed.

Figure 4.6 — Taiwan's Share of Global Advanced Semiconductor Fabrication

77% shown as the midpoint of a 65-90% range reported across sources depending on process-node definition; see §4.9.



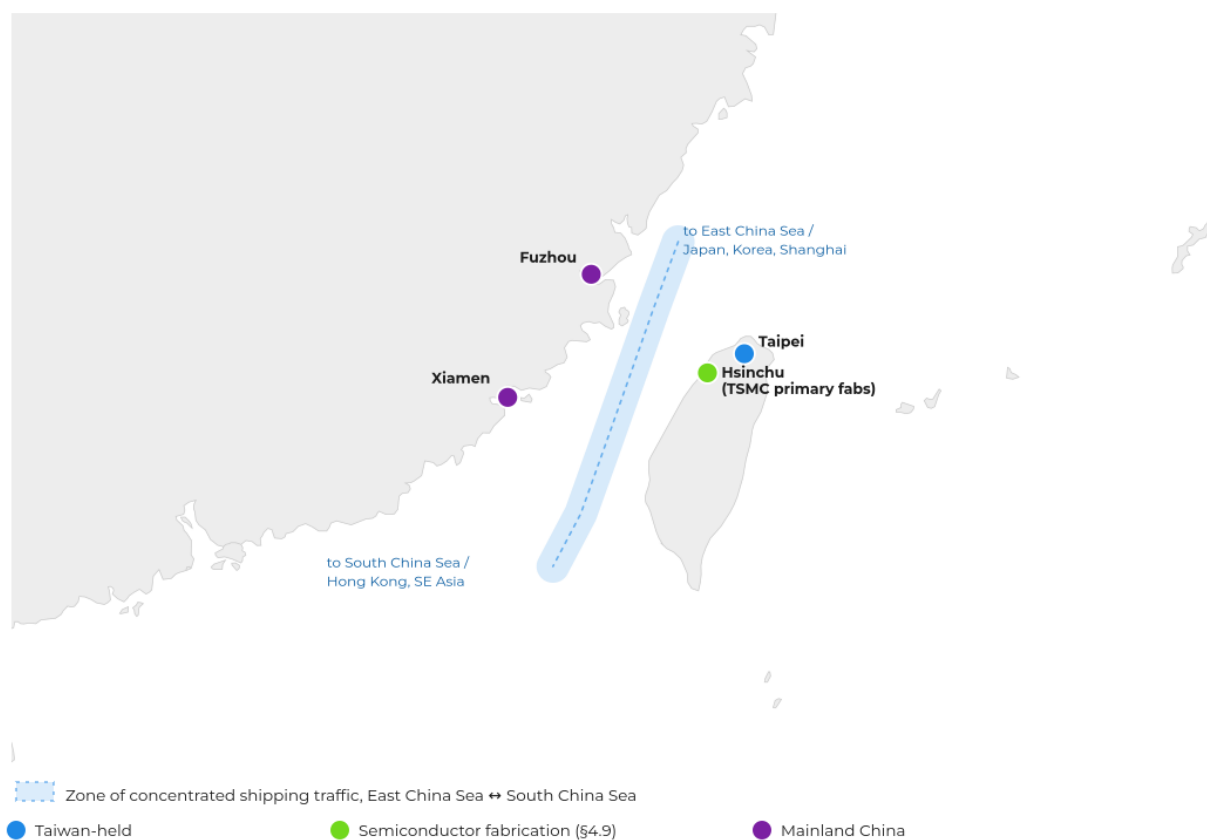
Source: industry reporting compiled in §4.9; ISDO estimate, August 2026.

Figure 4.6: Taiwan's share of global advanced semiconductor fabrication, shown as the midpoint of a 65-90% reported range. Source: industry reporting compiled in this section; ISDO estimate, August 2026.

The Spanish economist Jesús Huerta de Soto, writing in the same Mises-Hayek tradition invoked above, frames the concern less as a static misallocation than as a threat to what he terms dynamic efficiency, the market's capacity to keep discovering and adjusting to changing conditions over time rather than settling into a fixed allocation judged efficient at a single moment. Subsidized capacity, on this reading, is not simply a bet that might turn out right or wrong; it is capacity that no longer needs to keep discovering whether Taiwan-concentrated fabrication remains the efficient arrangement as conditions change, because its return no longer depends on that discovery process the way an unsubsidized competitor's would. Whether that trade-off is worth making for a chokepoint this report treats as the single most consequential node in the global technology supply chain is a judgment this report leaves to its readers, not a conclusion it reaches on their behalf.

Figure 4.7 — The Taiwan Strait: Maritime Shipping Traffic

Schematic shipping corridor, not precise vessel-track or separation-scheme data. Illustrative only; see §4.9.



Basemap: Natural Earth via world-atlas/topojson. The shipping corridor is a schematic representation of general traffic flow, not tracked vessel positions or an official traffic separation scheme. Source: ISDO compilation, August 2026; see §4.9, Annex B.

Figure 4.7: The Taiwan Strait's zone of concentrated shipping traffic, connecting the East China Sea to the South China Sea, shown alongside Hsinchu's semiconductor fabrication cluster. Schematic; not vessel-track or separation-scheme data. Source: ISDO compilation, August 2026.

4.10 Diversifying Away from Malacca: Straits, Corridors, and Pipelines

Malacca's own vulnerability, documented throughout §4.1, has driven diversification on three separate fronts, within Indonesia's own archipelagic waters, through an overland Chinese corridor to Pakistan's Arabian Sea coast, and through two competing routes across mainland Southeast Asia. None of the three offers a full substitute for the strait itself, but together they are the clearest concrete hedge this report documents against a Hormuz-style single-corridor crisis materializing at the world's busiest chokepoint by volume.

With Malacca traffic projected to exceed capacity by 2030, three archipelagic passages inside Indonesian waters have absorbed the pressure-relief role: the Sunda Strait between Java and Sumatra, and the deeper Lombok and Makassar Straits further east. Sunda's proximity makes it the shortest detour, but narrow, shallow sections, as little as 20 metres deep in parts, strong tidal flows, and a documented volcanic hazard limit it to smaller vessels; Krakatoa's catastrophic 1883 eruption established a precedent Lloyd's of London priced into elevated-risk marine classifications for decades afterward, and Anak Krakatoa's continued activity keeps that history current rather than archival. Lombok and Makassar, deeper than 150 metres and more than 11 nautical miles wide at their narrowest, are the passages VLCCs and ULCCs actually use when Malacca's draft restrictions rule it out, together carrying upward of 15,000 transits a year and accounting for a meaningful share of Indonesia's own maritime trade reve-

nue. None of the three comes close to substituting for Malacca's volume: current alternative-route traffic remains a small fraction of what Malacca carries, enough to prevent the kind of total paralysis a single-corridor closure elsewhere in this report describes, not enough to absorb Malacca's economic weight if the strait itself became impassable for an extended period.

China's own diversification runs mostly overland, and its most visible expression sits far from Southeast Asia altogether. The China-Pakistan Economic Corridor, the flagship project of Beijing's Belt and Road Initiative since Hu Jintao first named the "Malacca dilemma" in 2003, links Xinjiang to the Arabian Sea via a 3,000-kilometre network of roads, railways, and pipelines terminating at Gwadar, a deep-water port Chinese state firms built and now operate on Pakistan's Balochistan coast. The corridor's second phase, CPEC 2.0, has continued developing special economic zones around both endpoints, and Gwadar itself now handles cargo directly rather than functioning only as a construction staging point. Its location gives it a strategic dimension this report's own subject matter makes newly relevant: Gwadar sits close enough to the Strait of Hormuz that regional commentary as recent as *early August 2026* has begun describing it as one of the more contested pieces of territory in the emerging US-China competition for Indian Ocean influence, a reading that would have seemed premature before this year's Hormuz crisis and does not seem premature now. The corridor's limits are real and openly discussed even among Chinese analysts: the Balochistan insurgency has repeatedly targeted CPEC infrastructure and personnel, and a pipeline carrying the volume of crude China actually imports through Malacca remains, by some Chinese planners' own assessment, a harder engineering and security problem than the port and rail components the corridor has actually delivered.

Mainland Southeast Asia offers a third front, and the two options on it illustrate the difference between an alternative that already exists and one still being built. The Sino-Myanmar pipelines, gas since 2013 and crude oil since 2017, run from the deep-water terminal at Kyaukphyu directly to Kunming in China's Yunnan province, bypassing not only Malacca but the South China Sea as well, and are already the closest thing China has to a working answer to its own dilemma. Thailand's Land Bridge, the modern successor to a Kra Canal project the government shelved in 2020 over fears that literally cutting the country in two would inflame its own southern insurgency, proposes something narrower: a 90-kilometre overland corridor of ports, highway, and rail linking the Andaman Sea to the Gulf of Thailand, budgeted at roughly \$28-30 billion with construction beginning in 2026 and partial operation targeted for 2030. The project has a real domestic constituency, Thailand's government projects meaningful GDP and employment gains, and a real domestic critic in Malaysia, whose port and transshipment revenue the corridor would partly divert, but China's own commitment has stayed notably tentative. Recent analysis is specific about why: cargo bound for China still has to cross the South China Sea after clearing the isthmus, making the land bridge a partial bypass for the one buyer whose full participation would make it strategically decisive, rather than the complete alternative the Myanmar pipelines already are. Neither corridor offers Hormuz or the Red Sea any relief at all; both answer a narrower, longer-standing version of chokepoint risk than the one that has dominated this report since Chapter 1.

Figure 4.8 — Malacca and Its Alternatives

Schematic, not precise routing. Solid lines: operating corridors. Dashed lines: under construction. See §4.10.

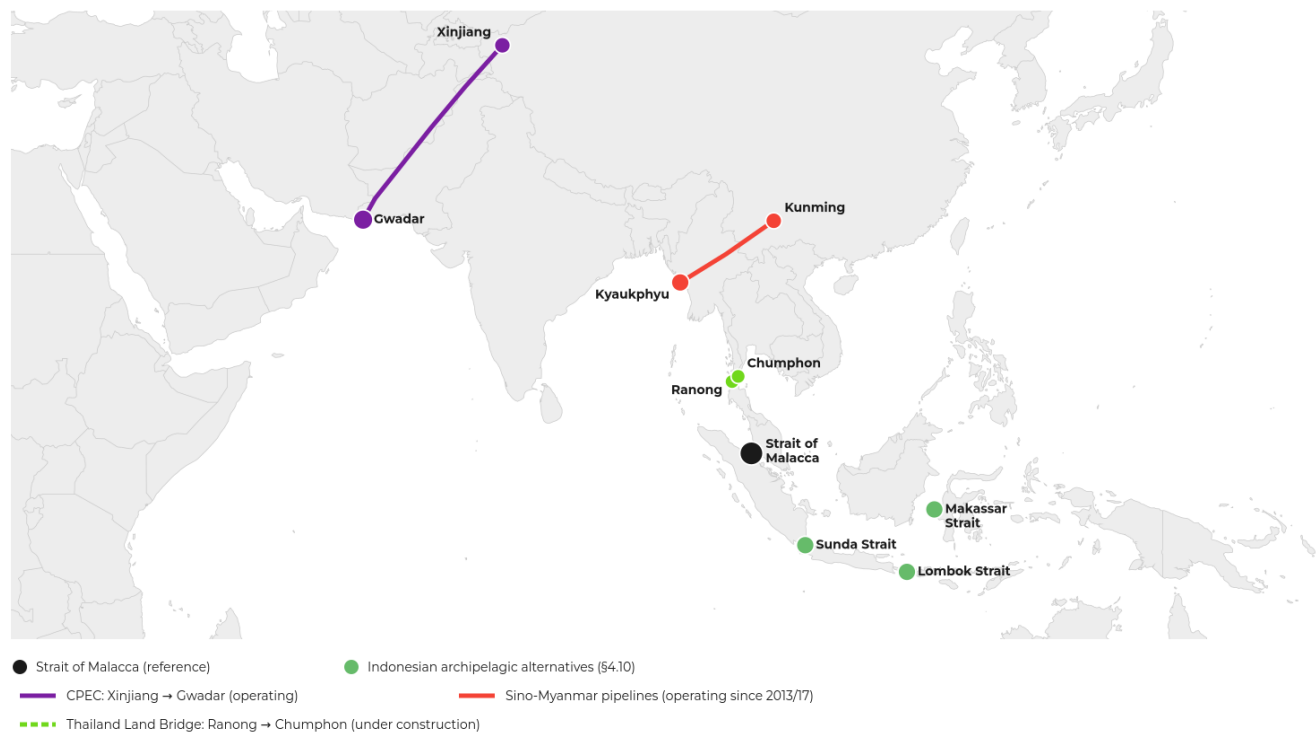


Figure 4.8: Malacca and its alternatives: Indonesian archipelagic straits, the CPEC corridor to Gwadar, the Sino-Myanmar pipelines, and Thailand's Land Bridge. Corridor paths are schematic. Source: ISDO compilation, August 2026.

4.11 Synthesis: The Multiplication of Chokepoints

Figure 4.9 — Approximate Share of Global Seaborne Trade by Chokepoint

Figures are order-of-magnitude estimates by volume/value and are not strictly additive across routes.

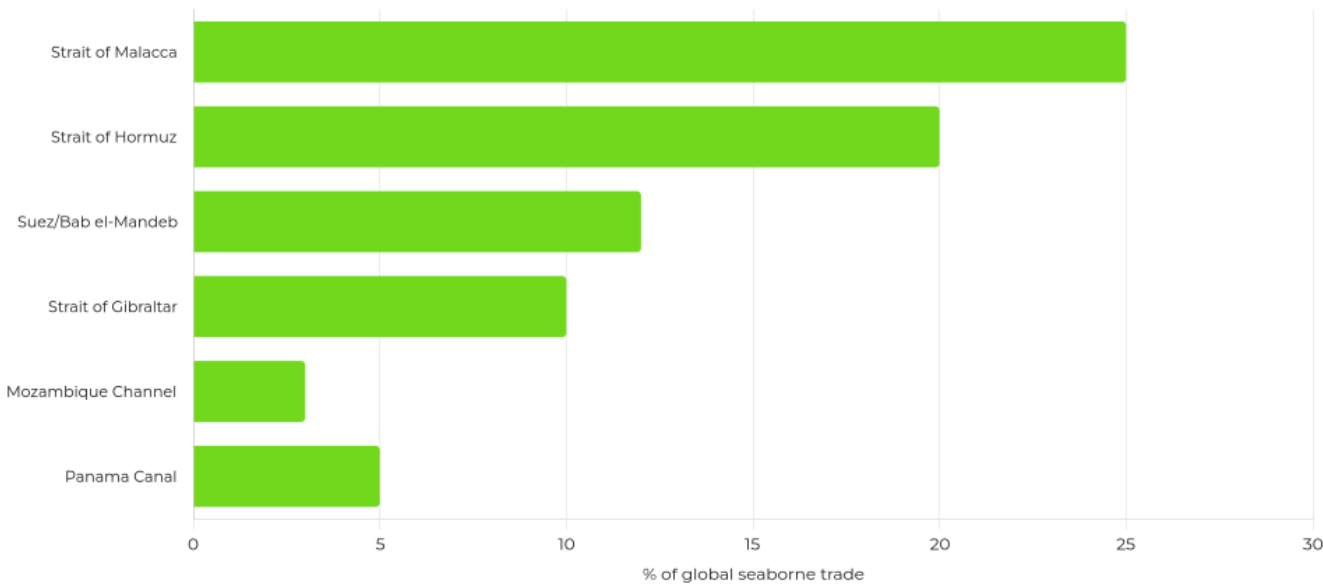


Figure 4.9: Approximate share of global seaborne trade by chokepoint. Figures are order-of-magnitude estimates and are not strictly additive across overlapping routes. Source: UNCTAD; IMF PortWatch; ISDO compilation.

Strait	Nature of 2026 strain	Response so far
Malacca / Singapore	Congestion, piracy resurgence, Chinese “Malacca dilemma” strategic anxiety	Indonesia-Malaysia-Singapore joint patrols; China exploring Lombok/Sunda/Makassar alternatives
Gibraltar	Russian shadow fleet transits; sanctions evasion; NATO interdiction operations	UK/French/allied naval tracking and boarding operations, several in early-mid 2026
Mozambique Channel	Cabo Delgado insurgency adjacent to \$20bn+ LNG infrastructure; great-power security competition	Rwandan troop deployment (~5,000); EU military mission; Russian Africa Corps overtures
Sri Lanka / Indian Ocean approaches	Hambantota port control; India-China basing and access competition	India's first international shipyard acquisition (2026); continued Chinese commercial and research-vessel access
Bosphorus & Dardanelles	Wartime Montreux discretion; tolerated Russian shadow-fleet transit; Black Sea Fleet access	Turkey-led Black Sea mine-clearing with Bulgaria/Romania; no multilateral reform
Panama Canal	Port-operator sovereignty dispute; CK Hutchison concession annulled; US-China proxy contest	Maersk/APM Terminals temporary port management; CK Hutchison international arbitration
Strait of Dover	Shadow-fleet rerouting from Gibraltar; Russian naval escorts; subsea cable risk	UK interdictions continue; new cable-protection legislation proposed
Danish Straits / Baltic approaches	Recurring undersea cable and pipeline sabotage; shadow-fleet naval escorts	NATO Baltic Sentry patrol mission; Sweden/Finland NATO membership consolidates alliance coverage
Taiwan Strait	PLA blockade-simulation exercises; semiconductor supply-chain concentration risk	TSMC Arizona diversification; Taiwanese wartime production contingency planning

Table 4.1: Summary of strategic strait dynamics documented in this chapter. Source: ISDO compilation from sources cited throughout Chapter 4; see Annex B.

The nine corridors examined in this chapter share no single cause. Malacca's strain is a piracy and congestion story tied to traffic displacement, now met by the diversification documented in §4.10 rather than by any contraction of the underlying dependency. Gibraltar's and Dover's are sanctions-enforcement stories tied to the Russia-Ukraine war, now escalating toward direct naval confrontation rather than cat-and-mouse interdiction. The Mozambique Channel's is an insurgency and LNG investment story only loosely connected to Gulf events. Hambantota's is a great-power infrastructure competition story with its own decade-long history, a pattern Panama's port dispute now echoes in a different hemisphere and Gwadar's development echoes in a third. The Bosphorus's is a treaty-governance story ninety years in the making, tested by a war on its shores rather than within its waters. The Danish Straits' is a hybrid-warfare story of cables and anchors rather than warships and tariffs, until the warships arrived too. Taiwan's is the only corridor in this chapter whose disruption risk is measured in trillions of dollars of technology output rather than millions of barrels of oil or thousands of containers. What unites them is a single structural fact: each has become more strategically salient in 2026 than it was when ISDO's original report went to press in February, or than general treatment of chokepoint risk assumed as recently as that report's own publication, and in most of these nine cases that increased salience is explicitly and publicly linked by the relevant actors themselves to the compounding logic of the wider Hormuz and Red Sea disruption.

A distinction worth stating plainly, because the chapter's own structure can obscure it: only four of these nine corridors, Malacca, Bab el-Mandeb, Suez, and Gibraltar, sit on the single sea corridor that carries the bulk of containerized trade between China and Europe, mapped in §2.1's Figure 2.1. The world's most consequential trade relationship by volume runs through all four in sequence, which is precisely why the compounding logic described above matters most there: piracy displacement at Malacca, Houthi attacks at Bab el-Mandeb, the traffic collapse at

Suez itself, and shadow-fleet interdiction at Gibraltar are not four independent risks to four independent trade flows, they are four points of exposure on the same corridor, and a shipper moving goods from Shanghai to Rotterdam has no way to route around all four at once short of abandoning the Suez option entirely for the Cape or the Arctic alternatives Chapter 2 documents. The other five corridors in this chapter, Mozambique, Sri Lanka, the Bosphorus, Panama, the Danish Straits, and Taiwan, matter for reasons this chapter has detailed at length, but none of them sits on the China-Europe corridor itself; their risks are real and, in Taiwan's case, larger in dollar terms than anything on the Suez route, but they do not compound with Suez, Malacca, Bab el-Mandeb, and Gibraltar the way those four compound with each other.

This is the empirical basis for the claim in this report's Abstract that 2026 has produced not a single chokepoint crisis but a multiplication of them. A shipping system that diversifies away from one corridor under stress does not eliminate risk; it redistributes it to whichever corridors absorb the diverted traffic, attention, and naval resources, and each of those corridors carries its own distinct vulnerabilities that a single-chokepoint mental model, of the kind that dominated maritime security planning as recently as early 2026, is poorly equipped to anticipate. Nine corridors, not four, is itself the finding: this chapter began as an analysis of four straits and grew to nine over the course of a single revision cycle without exhausting the list of corridors a fuller survey could plausibly include, a growth rate that says as much about the state of global maritime security in 2026 as any single strait-level finding does.

4.12 Great Power Exposure Across the Straits

The strait-by-strait analysis in this chapter has so far asked what is happening at each corridor. This section asks a complementary question: which powers actually have a stake in each one, and how much. Table 4.2 rates seven powers, the United States, the European Union, China, Japan, India, the United Kingdom, and Russia, against each of the nine straits examined in this chapter on a composite scale combining two components weighted roughly equally: an economic component, the share of that power's trade or energy imports transiting the strait, and a strategic-military component, the presence of naval assets, basing rights, or formal alliance commitments tied to the corridor. A rating of Extreme reflects a strong showing on both components; Low reflects a weak showing on both; High and Moderate fall between the two, whether from a strong showing on one component alone or a moderate showing on both. As with the qualitative ratings elsewhere in this report, discussed in Methodology §M.3.2, these are analyst judgments rather than the output of a scoring model.

Strait	US	EU	China	Japan	India	UK	Russia
Strait of Malacca	High	Moderate	Extreme	Extreme	High	Moderate	Low
Strait of Gibraltar	Moderate	High	Low	Low	Low	Extreme	High
Mozambique Channel	Low	Moderate	Moderate	Low	High	Low	Moderate
Sri Lanka / Indian Ocean	Moderate	Low	High	Moderate	Extreme	Moderate	Low
Bosphorus & Dardanelles	Moderate	High	Low	Low	Low	Moderate	Extreme
Panama Canal	Extreme	Moderate	High	Low	Low	Low	Low
Strait of Dover	Low	High	Low	Low	Low	Extreme	High
Danish Straits / Baltic	Moderate	High	Low	Low	Low	Moderate	Extreme
Taiwan Strait	Extreme	Moderate	Extreme	Extreme	Moderate	Low	Low

Table 4.2: Great power exposure by strait, composite rating (economic + strategic-military). ISDO analyst judgment; see Methodology §M.3.2 for the rating heuristic. Source: ISDO compilation.

Figure 4.10 — Great Power Exposure Heatmap (mirrors Table 4.2)

Composite economic + strategic-military exposure rating; see §4.12 and Methodology §M.3.2.



Source: ISDO compilation, August 2026 (mirrors Table 4.2).

Figure 4.10: Great power exposure heatmap, mirroring Table 4.2. Source: ISDO compilation, August 2026.

Four patterns stand out across a table considerably richer than the four-strait version this section opened with in an earlier draft. China, Japan, and India each concentrate their exposure heavily in the Asian and Indian Ocean corridors, Malacca above all for China and Japan, Sri Lanka for India, and now Taiwan as well for China and Japan specifically, and register Low on the four European and Atlantic corridors, straits none of the three has a meaningful economic or military stake in. China's Extreme ratings on both Malacca and Taiwan, joined by a High rating on Panama documented in §4.6, describe a power whose chokepoint exposure is concentrated but not narrow, Beijing has genuine stakes on three different oceans even as it registers Low on every European corridor in the table.

The European Union, the United Kingdom, and Russia form a near-mirror image, concentrated instead in the Atlantic, Mediterranean, and Baltic corridors and largely absent from the Indian Ocean and Pacific side of the matrix. Russia's profile is the table's most concentrated: Extreme on the Bosphorus, its only warm-water route to the Mediterranean, and Extreme again on the Danish Straits, the lifeline connecting Kaliningrad and St Petersburg to the open Atlantic, with a further High rating on Dover reflecting the naval-escort confrontations documented in §4.7. No other power in the table scores Extreme on more than two corridors; Russia's wartime footing has made it Extreme on two of the nine simultaneously. The UK's Extreme ratings on Gibraltar and Dover need no explanation beyond sovereignty and adjacency, while the EU's High ratings across Gibraltar, the Bosphorus, Dover, and the Danish Straits, four of the nine corridors, reflect a union whose member states border or directly administer territory on nearly every European chokepoint in this chapter, Spain at Gibraltar, France's Mediterranean and Channel coastline, Bulgaria and Romania on the Black Sea, Denmark and Germany on the Baltic approaches.

Panama and Taiwan each resist the clustering logic that organizes the rest of the table. Panama is a bilateral contest rather than a multipolar one: the United States rates Extreme and China rates High, documented in §4.6, while the other five powers all register Low, a pattern that has more in common with a Cold War-style sphere-of-influence dispute than with the multi-actor congestion or hybrid-warfare patterns found elsewhere in this chapter. Taiwan is the opposite case, the only corridor in the table where three powers, the United States, China, and Japan, simultaneously rate Extreme, a convergence with no parallel anywhere else in the matrix and one that follows directly from the semiconductor concentration and mutual-commitment dynamics documented in §4.9.

The United States' profile changes substantially once Panama and Taiwan enter the table. Where the four-strait version of this analysis found no Extreme rating anywhere for Washington, describing a broad-but-shallow global presence built on alliance commitments rather than existential dependency, the fuller nine-strait picture shows two genuine Extreme dependencies, Panama for reasons of hemispheric sovereignty documented in §4.6 and Taiwan for reasons that combine a formal defence posture with a semiconductor supply chain the US Commerce Department treats as a Tier 1 national security concern. The US remains the table's broadest profile, rating Moderate or higher on seven of the nine corridors, but it is no longer accurate to describe that breadth as uniformly shallow.

The practical implication follows directly from this report's central argument. Because exposure is unevenly distributed rather than shared equally across all seven powers, a disruption at any single strait creates asymmetric incentives to respond: China and Japan have far more reason to underwrite Malacca's and Taiwan's security than the UK or Russia do, just as Russia has far more reason to defend its position on the Bosphorus and the Danish Straits than India does. A genuinely multipolar response to the multiplication of chokepoints this chapter documents would need to reckon with the fact that no single power is positioned, or motivated, to backstop all nine corridors at once, and that the two corridors carrying the highest concentration of great-power stakes, Taiwan above all, are precisely the ones where the underlying political relationship is adversarial rather than cooperative, a structural gap this report's Chapter 8 recommendations address only partially and that ISDO flags here as a subject warranting its own dedicated future analysis.

CHAPTER 5

Maritime Geopolitics and the International Order

5.1 Contested Corridors Revisited

ISDO's original report analyzed four chokepoints as the corridors most exposed to the shift from open, neutral sea lanes to contested ones: Bab el-Mandeb, Hormuz, Malacca, and Panama. This report's Chapter 4 has since expanded that list considerably, documenting five further corridors, Gibraltar, the Mozambique Channel, Sri Lanka's Indian Ocean approaches, the Bosphorus and Dardanelles, the Strait of Dover, and the Danish Straits, that were peripheral or absent from the original framing but have become strategically active in their own right over the course of 2026, alongside Taiwan, whose exposure this report treats as sui generis given its semiconductor dimension. Table 5.1 below gives the compact, international-order-focused view across all eleven corridors this report examines; Chapter 4 carries the full narrative for the nine it treats in dedicated sections. Of the original four, Hormuz has moved furthest, from a chronic, background source of anxiety, the kind periodically raised in Iranian rhetoric without action, to the site of the most severe disruption any corridor in this report has experienced in the modern shipping era.

Panama's 2026 trajectory illustrates a different, non-geopolitical variant of chokepoint risk that belongs in the same analytical frame even though it has nothing to do with the Middle East, and that now sits alongside the sovereignty dispute documented in §4.6 as a second, distinct source of Panama-specific exposure. The Panama Canal Authority brought the waterway back to 36 daily transit slots and a full 50-foot draft for Neopanamax vessels by early 2026, recovering fully from the 2023-2024 drought that had cut daily transits to as few as 18. Gatun Lake, the freshwater reservoir that feeds the canal's locks, reached near-maximum capacity in early 2026 and again in July, forcing preventive spillway discharges, a striking reversal from the historic lows of two years earlier.

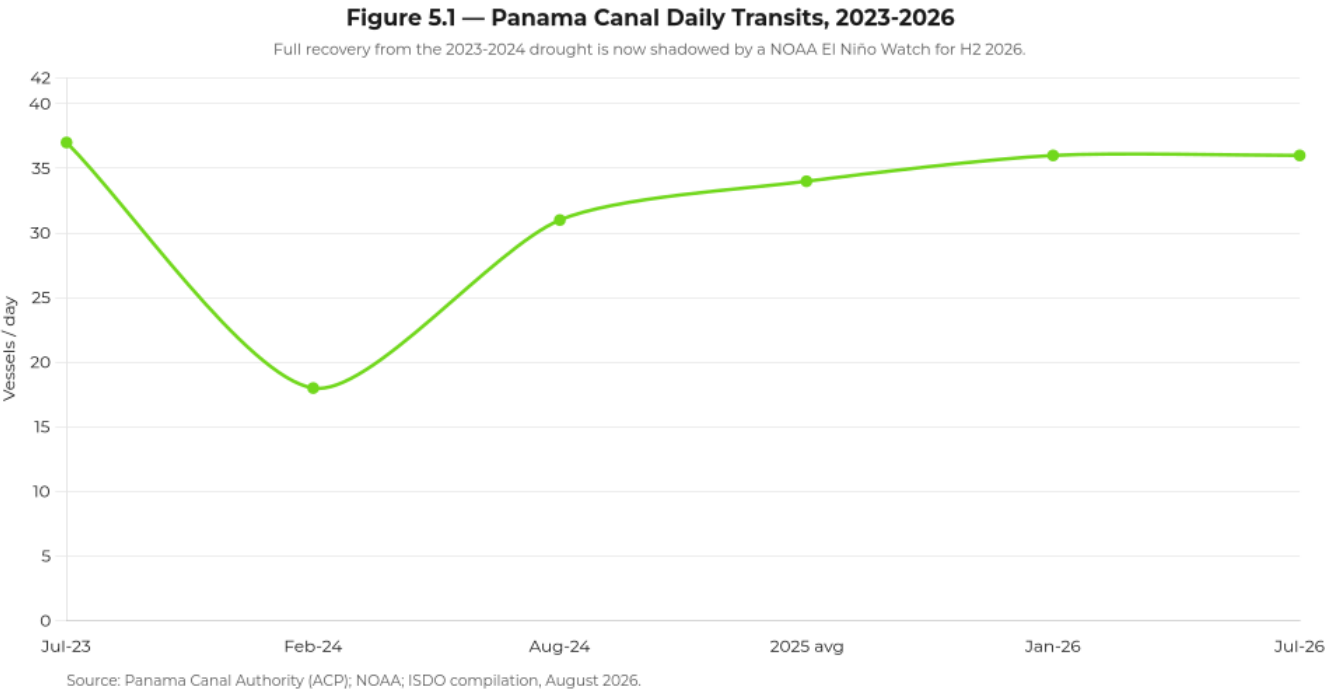


Figure 5.1: Panama Canal average daily transits, 2023-2026. Full recovery is now shadowed by a NOAA El Nino Watch for the remainder of 2026. Source: Panama Canal Authority; NOAA; ISDO compilation.

That recovery carries its own caveat. In April 2026, the US National Oceanic and Atmospheric Administration issued an El Nino Watch, projecting emergence by mid-year with roughly a one-in-four chance of a very strong event, conditions that historically compress Panama's water availability during its critical wet season. The Panama

Canal Authority's own administrator has acknowledged that even with water levels restored, some vessel categories, LNG carriers and dry bulk in particular, have not returned to pre-drought transit volumes, with carriers continuing to favour the Cape of Good Hope route for some Gulf-to-Asia LNG cargo even when Panama slots are available. This is a smaller-scale echo of the same rerouting inertia this report documents for Suez in Chapter 2: once a fleet reorganizes around an alternative route, restored capacity on the original corridor does not automatically bring traffic back.

Corridor	2026 status	Geopolitical exposure	Note
Bab el-Mandeb / Red Sea	Active, episodic	Severe	Houthi resumption since late Feb 2026; see Chapter 1
Strait of Hormuz	Active, cyclical	Extreme	Two failed reopening attempts; see Chapter 1
Strait of Malacca	Latent, rising	Moderate, rising	Piracy surge tied to displaced traffic; see §4.1
Strait of Gibraltar	Active, escalating	High	Russian naval escorts of shadow-fleet tankers; July 2026 Ceuta crossing crisis surfaces the adjacent, unresolved UK-Spain-Morocco sovereignty layering; see §4.2
Mozambique Channel	Latent, insurgency-linked	Moderate	Cabo Delgado security tied to LNG restart; see §4.3
Sri Lanka / Indian Ocean	Latent, structural	High	India-China port competition; see §4.4
Bosphorus & Dardanelles	Active, treaty-bound	Severe	Wartime Montreux discretion since Feb 2022; see §4.5
Panama Canal	Structural + sovereignty dispute	Moderate	Drought recovery below; CK Hutchison-Maersk arbitration ongoing; see §4.6
Strait of Dover	Active, escalating	High, rising	Russian naval escorts challenge UK interdiction; see §4.7
Danish Straits / Baltic	Active, hybrid-threat	Severe	Recurring cable sabotage and naval escorts; see §4.8
Taiwan Strait	Latent, high-stakes	Extreme	Three-power convergence; semiconductor concentration; see §4.9

Table 5.1: Status of contested maritime corridors across this report, updated August 2026. Bab el-Mandeb and Hormuz are covered in Chapter 1; the remaining nine are covered in Chapter 4. Source: ISDO compilation.

The practical effect of the Hormuz and Red Sea disruptions is that the international order's working assumption about chokepoint risk, that any single corridor's closure would be an isolated, manageable event around which shipping could reroute, has been tested and found wanting. The February-April 2026 period in which Hormuz and the Red Sea were simultaneously disrupted offered no clean alternative routing for Gulf-origin cargo: the Cape of Good Hope route that absorbed Red Sea diversions cannot substitute for Hormuz, since it does not connect to Gulf loading terminals at all, meaning tankers unable to exit the Gulf had no rerouting option beyond waiting, which is precisely why over 800 vessels were reported stranded at the crisis's peak. Table 5.1's eleven rows make the same point at report-wide scale rather than at the scale of a single crisis: Severe or worse exposure is no longer confined to the Middle East corridors that dominated maritime security planning as recently as early 2026, it now describes corridors on four different oceans.

5.2 Naval Presence and the Risk of Incident Escalation

Naval presence in the Persian Gulf and Red Sea has intensified relative to the levels ISDO's original report documented for early 2026, reflecting the direct US and allied military engagement the Hormuz war has required. This intensification carries an inherent incident risk distinct from the risk of deliberate escalation. Two incidents from mid-July illustrate the pattern: the tanker AL BAHYAH suffered one seafarer fatality and three injuries, and the bulk carrier MOMBASA B recorded eleven seafarers injured, both in attacks that UKMTO logged without immediately attributing responsibility. The reported explosion near a tanker in the Strait of Hormuz on August 5, 2026, and the unconfirmed Houthi attack claim near Aden the same day, both illustrate how a crowded, high-tension operating environment generates ambiguous incidents that require careful verification before they can be attributed or acted upon.

The human cost behind these statistics is worth stating plainly rather than folding entirely into aggregate figures. NPR reported in mid-July, citing tracking data from the maritime intelligence firm Kpler, a confirmed toll of 56 incidents and seventeen seafarer fatalities since the crisis began in late February, a count Kpler described as still rising as further attacks off Oman were verified. Every one of the transit and premium statistics elsewhere in this report describes decisions made, in effect, to avoid adding to that list.

None of this is confined to the Gulf. Chapter 4 documents a materially similar naval-escalation pattern in two corridors with no direct connection to Hormuz or the Red Sea: Russian warships have begun openly escorting sanctioned shadow-fleet tankers through both the Strait of Dover, where HMS Mersey shadowed the frigate Admiral Grigorovich in April while outgunned rather than positioned to intercept it, and the Baltic approaches, where NATO's Baltic Sentry patrol mission operates against a backdrop of recurring cable sabotage documented in §4.8. Turkey's mine-clearing operations with Bulgaria and Romania in the Black Sea, discussed in §4.5, are a third, lower-intensity instance of the same underlying dynamic: naval assets deployed less to fight a war than to manage the accumulated hazards, mines, sabotage, contested escorts, that a nearby war has left behind. The Gulf's incident risk is the most acute in this report, but it is a specific instance of a pattern repeating across at least three other theatres simultaneously.

5.3 Fragmentation of Maritime Governance

Multilateral institutions have not been silent on the crisis, though their record illustrates the fragmentation this report's original edition anticipated more than it illustrates effective coordination. The IMO Council met in an extraordinary session on March 18-19, 2026, condemning attacks on merchant shipping and the purported closure of Hormuz with explicit reference to UN Security Council Resolution 2817, and called for an internationally coordinated security response. The Council reaffirmed the same position at its 137th regular session, stressing that transit passage rights through international straits must not be threatened, impeded, or suspended.

Words have travelled further than enforcement. IMO Secretary-General Arsenio Dominguez told a UK-convened meeting of foreign ministers from more than forty countries in early April that *fragmented responses are no longer sufficient* to resolve the crisis, and that the organization was advancing a maritime evacuation framework built on coastal-state cooperation to release stranded vessels and enable crew rotations. That framework was itself paused in late June after a container ship was struck by an unidentified projectile near the Omani coast, an outcome that captures the wider pattern documented throughout this report: institutional responses calibrated to a de-escalating situation keep being overtaken by the next incident.

The UN Security Council's own record compounds the picture. A Bahraini-drafted resolution calling for coordinated defensive escort arrangements was vetoed by China and Russia in April, even as China separately affirmed its support for freedom of navigation in the strait, a position gap that reflects Beijing's reluctance to endorse a Western-drafted enforcement mechanism that could set precedents usable against its own regional interests elsewhere. A narrower US-drafted alternative and a French-proposed international protection mission have both been reported as under preparation since May without being scheduled for a vote. This is the governance gap this report's

Chapter 8 addresses directly: existing multilateral mechanisms are not well-suited to a crisis where permanent Security Council members hold genuinely divergent interests in the outcome.

The Persian Gulf Strait Authority, introduced in Chapter 1, is the single clearest case study of what governance fragmentation looks like in practice rather than in the abstract. Hormuz has had a functioning bilateral governance instrument since 1968, when Iran and Oman jointly proposed and the IMO adopted the strait's Traffic Separation Scheme, the shipping-lane system that still structures transit today. The PGSA does not replace that scheme so much as layer a unilateral licensing and toll regime on top of it, asserting Iranian jurisdiction over a zone that international law treats as subject to transit passage rights exercisable by all states, not a gate that any single littoral state may charge admission to. Whether that assertion holds is precisely the question the Iran-Oman reopening framework discussed in Chapter 7 will have to resolve, since any durable arrangement will need to define the PGSA's status rather than simply negotiate around it.

The Bosphorus and Dardanelles, examined in §4.5, offer an instructive contrast rather than a parallel case. Turkey's wartime discretion over the Turkish Straits is also unilateral in the sense that Ankara alone decides how to apply it, but it operates inside the Montreux Convention, a multilateral treaty ninety years old in 2026 that explicitly grants Turkey this authority and that every other state party, Russia and Ukraine included, has continued to treat as binding rather than contesting its legitimacy. The PGSA claims a comparable practical effect, control over who transits a strait and on what terms, without any equivalent treaty basis, which is precisely why this report treats it as the sharper test of governance fragmentation: Montreux shows that unilateral strait authority can co-exist with a stable international legal order when it is exercised within an agreed framework, while the PGSA shows what the same practical authority looks like when a state asserts it outside one. The difference between the two cases is not the degree of unilateral control either government exercises, which is similar, but whether the rest of the international system has had any say in authorizing it.

A second, purely economic question sits alongside the legal one: whether \$2 million per passage bears any relationship to the strait's actual scarcity value. A market-clearing price for transit would emerge from competition among alternative routes, insurers, and shippers weighing cost against risk against each other; the PGSA's toll instead reflects a single administrative decision with no competitive check on whether it is too high, too low, or calibrated to extract maximum revenue rather than to allocate transit efficiently. This is a version of the calculation problem the economist Ludwig von Mises raised against centrally set prices more generally: without a market process generating the figure, neither Iran nor any outside observer, this report included, has a reliable way to know whether the PGSA toll reflects genuine value or simple rent extraction from a captive chokepoint, a distinction the strait's users are left to absorb the cost of either way.

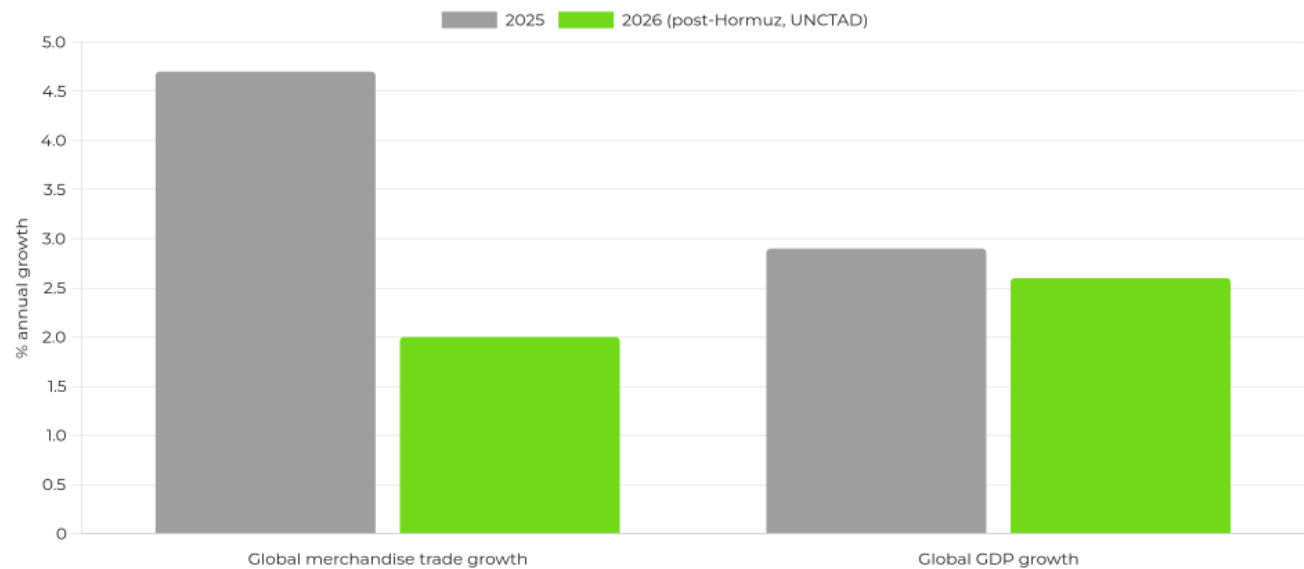
5.4 Developing Countries and Small Island Developing States

ISDO's original report estimated a 0.5-1.5 percentage point inflation burden on least developed countries and small island developing states from the 2024-2025 Red Sea disruption alone. UN Trade and Development has since produced the most rigorous available quantification of the compounded 2026 shock, publishing a rapid-assessment series, UNCTAD/OSG/TT/INF/2026/1 in March, OSG/INF/2026/2 in April, and OSG/INF/2026/4 in June, that tracks the crisis's transmission into trade, prices, and finance in something close to real time, an approach that mirrors the monitoring-indicator philosophy set out in this report's own Methodology chapter.

The headline figures are stark. UNCTAD revised its global merchandise trade growth forecast for 2026 down to a range of 1.5-2.5%, from roughly 4.7% growth recorded in 2025, and cut its global GDP growth projection from 2.9% to 2.6%, explicitly conditioning even that lower figure on the conflict not intensifying further. The organization's vulnerability baseline is itself sobering independent of the Hormuz shock: an estimated 3.4 billion people live in countries that already spend more on debt service than on health or education combined, a fiscal starting point that leaves little room to absorb an external price shock without cutting essential spending.

Figure 5.2 — Global Trade and GDP Growth, Before and After the Hormuz Shock

2026 trade growth shown as midpoint of UNCTAD's 1.5-2.5% revised range, assuming no further escalation.



Source: UN Trade and Development (UNCTAD) rapid assessments, April-June 2026.

Figure 5.2: Global trade and GDP growth, before and after the Hormuz shock. Source: UN Trade and Development (UNCTAD) rapid assessments, April-June 2026.

UNCTAD's analysis identifies the transmission channel as running through energy, fertilizer, and transport costs simultaneously, striking sixty-five net oil-importing vulnerable economies it tracks, least developed countries and small island developing states, with particular force in countries sourcing more than 5% of their oil imports from the Hormuz region specifically. Its June assessment, published as the strait was cycling toward its second closure, warned that even a successful reopening would bring only uneven relief: over one hundred days of disruption had already fed through into weaker currencies, falling stock prices, and higher external borrowing costs for developing economies, effects UNCTAD assesses will persist for months after any physical reopening, since currency and financing damage does not reverse as quickly as a shipping lane does.

UNCTAD has paired this analysis with a concrete policy prescription: emergency financing access for essential imports and debt servicing through central bank currency swap lines, regional financial assistance, and expanded development bank lending, alongside a call for bilateral creditors to consider suspending debt service where necessary to free fiscal space for food and energy imports. This report's Chapter 8 returns to these recommendations directly, since they represent the most concrete, quantified policy asks currently on the table for the exact vulnerability this report and ISDO's original edition both flagged as underserved by existing crisis-response architecture.

CHAPTER 6

Sustainability, Climate, and Environmental Justice

6.1 Emissions Impact of the 2026 Rerouting

The emissions paradox ISDO's original report identified, that risk-averse rerouting to protect trade continuity increases aggregate shipping emissions even as it avoids the immediate humanitarian and economic costs of a corridor closure, has intensified given the scale of the 2026 disruption. Cape of Good Hope traffic remaining structurally elevated through a second wave of Red Sea avoidance, on top of the baseline the original report already described as record-setting, implies a further increase in global ton-miles and the fuel consumption that accompanies it, though full-year 2026 emissions data were not yet available at time of writing.

A second, more novel emissions dimension specific to this report's period concerns the Hormuz crisis's effect on very large crude carrier routing. Tankers unable to transit Hormuz and unwilling to wait indefinitely inside the Gulf have in some documented cases undertaken substantially longer alternative voyages, or have simply idled at anchor for extended periods, both of which carry emissions costs of a different character from the point-to-point route lengthening the original report's Cape analysis focused on. Panama's own drought-recovery experience, examined in Chapter 5, adds a further wrinkle: LNG and dry bulk carriers that shifted to the longer Cape route during the 2023-2024 water restrictions have in several cases not returned to the shorter Panama option even after capacity was restored, a routing stickiness that compounds rather than offsets the Middle East-driven ton-mile increase.

6.2 Environmental Risk in Contested and Polar Waters

The Antarctic and Arctic environmental risks ISDO's original report catalogued, oil spill vulnerability, invasive species introduction, underwater noise, and gray water discharge among them, remain current and largely unaddressed by new governance measures over the intervening six months. The 2026 Arctic season's expanded commercial activity, documented in Chapter 3, modestly increases the exposure represented by these risks in proportion to the roughly 15% growth in transit voyages this report estimates for the year, without any commensurate strengthening of the Polar Code provisions the original report identified as insufficiently protective, particularly for non-SOLAS vessels and gray water discharge standards.

A distinct and more acute environmental risk has emerged directly from the Hormuz conflict: the reported laying of naval mines in the strait, and the military strikes conducted against Iranian naval and mine-laying assets, both carry direct marine environmental risk in a body of water bordered by ecologically sensitive coral and mangrove ecosystems on both the Iranian and Omani coastlines. No systematic environmental damage assessment specific to the 2026 Hormuz conflict was available in public reporting at time of writing, a gap this report flags as warranting dedicated environmental monitoring given the conflict's ongoing status.

A third environmental risk, neither polar nor Middle Eastern, has grown steadily more concrete across the corridors examined in Chapter 4. The shadow fleet vessels documented in §4.2, §4.5, §4.7, and §4.8 are environmentally hazardous almost by construction: ships enter shadow-fleet service specifically because mainstream Western insurers will not cover them, which selects for older, less well-maintained hulls operating with minimal or no effective spill liability cover. These vessels now transit routinely through two of the most environmentally consequential waters in this report. The Baltic is shallow and slow-flushing compared with open ocean, conditions under which a major spill would disperse far more slowly than in the Arctic waters this report's original edition focused on, and the corridor already carries the cable-sabotage risk documented in §4.8 without adding a tanker-casualty risk on top of it. The Bosphorus presents a different kind of exposure entirely: the strait runs directly through Istanbul, a city of more than 15 million people, making it the one corridor in this report where a shadow-fleet tanker casualty would be as much an urban and humanitarian emergency as an environmental one, a risk profile with no analogue anywhere else in this report, Arctic waters included. Turkish maritime authorities have rai-

sed safety concerns about rising tanker traffic through the strait on exactly these grounds, independent of the sanctions-evasion dimension §4.5 documents.

6.3 Food Security and Inequality

The original report's food security analysis, centred on the roughly 20% of global rice exports and 15% of global wheat exports that transit Bab el-Mandeb, remains the relevant baseline for the Red Sea dimension of this report's period. The Hormuz dimension introduces a distinct and, on UNCTAD's own assessment, larger food security channel: the strait carries not only oil and LNG but substantial volumes of seaborne fertilizer trade, and UNCTAD's analysis explicitly frames the crisis as having moved, in its own words, from gas to grain, since nitrogen fertilizer production is gas-intensive and Gulf energy price spikes raise fertilizer costs globally well beyond the direct shipping-cost channel the original report quantified.

The compounding effect on food-insecure, import-dependent regions is structural rather than incidental. Higher energy costs raise fertilizer prices, which raise agricultural input costs and, with a lag, food prices, at the same time as higher freight rates and war risk premiums raise the direct cost of shipping the food itself. UNCTAD's vulnerable-economy tracking captures exactly this compounding, and its finding that effects will persist for months after any Hormuz reopening matters most for food security specifically, since agricultural input costs and planting decisions operate on seasonal cycles that do not reverse as quickly as a shipping lane reopens.

6.4 Integrating Maritime Security into the Sustainable Development Agenda

The clearest illustration of how maritime security and sustainability governance remain siloed from each other, despite the mechanical links documented throughout this report, is the fate of the IMO's own Net-Zero Framework during the same period covered by this report. The Framework, a global fuel standard paired with a carbon pricing mechanism approved at the IMO's April 2025 Marine Environment Protection Committee session, was already delayed once, from October 2025 to April 2026, after political pressure from the United States and Saudi Arabia. The April 2026 session, held while the Hormuz crisis was near its peak intensity, produced only a further postponement: negotiations reconvened without adoption, an intersessional working group was established, and the framework's fate was pushed to the MEPC 85 session scheduled for late November and early December 2026.

Small island developing states and least developed countries have been among the framework's most consistent supporters throughout this process, for reasons directly connected to the vulnerability this report's Chapter 5 documents in detail: countries with the least capacity to absorb climate-driven and fuel-price shocks have the strongest interest in a shipping sector that decarbonizes predictably rather than one whose fuel costs remain hostage to periodic geopolitical crises of the kind this entire report describes. That the Net-Zero Framework's adoption keeps slipping for reasons with little direct connection to the Hormuz crisis, principally US and Saudi objections to the carbon pricing mechanism, while the crisis itself makes the underlying case for decarbonization more urgent by the month, is a case study in the disconnect ISDO's original report identified between maritime security governance and sustainable development governance.

This report reiterates and sharpens the original's core argument: maritime geopolitics is a central dimension of the global sustainability agenda rather than a specialist security concern adjacent to it. A crisis that began as a bilateral military confrontation between Israel, the United States, and Iran has, within five months, measurably affected European inflation forecasts, African LNG investment timing, Southeast Asian piracy rates, Arctic shipping strategy, and, through the channels documented in this chapter, the very carbon-pricing negotiations meant to decarbonize the fleet now absorbing the crisis's rerouted traffic. Governance responses that continue to treat maritime security and sustainable development as separate policy domains, addressed by different ministries, different multilateral bodies, and different expert communities, are increasingly out of step with a reality in which the two are mechanically linked through the shipping system itself.

CHAPTER 7

Forecast: Maritime Geopolitics Toward the Close of 2026

7.1 The Scenario Matrix: Architecture and Mechanics

This chapter sets out ISDO's central analytical contribution for the period ahead: a four-scenario matrix projecting how the compound Hormuz-Red Sea crisis, and its spillovers into the strategic straits documented in Chapter 4, is likely to evolve between now and the close of 2026. The matrix is organized around two axes. The first is the trajectory of the core conflict, running from coordinated de-escalation to renewed escalation. The second is the degree of contagion beyond the Middle East itself, whether the crisis remains contained to Hormuz and the Red Sea or spreads further into the corridors examined in Chapter 4.

Four scenarios are not an arbitrary number. A simpler two-scenario framing, resolution versus continued crisis, would collapse a genuinely important distinction this report's evidence supports: a scenario in which Hormuz and the Red Sea de-escalate but Malacca piracy and Gibraltar shadow-fleet tensions continue rising on their own momentum is meaningfully different, for shipping companies, insurers, and policymakers alike, from a scenario in which everything improves together. The four-cell structure preserves that distinction.

A single institutional question runs through all four scenarios below: what becomes of the Persian Gulf Strait Authority, documented in Chapters 1 and 5. Every reference to an “Iran-Oman framework” in this chapter is shorthand for a negotiation that must, implicitly or explicitly, decide the PGSA's status, whether its licensing and toll regime is wound down as part of a genuine reopening, folded into a jointly administered mechanism with Oman, or left in place as a durable, if contested, fact of Gulf maritime governance. The scenarios diverge substantially on this point even where they agree on traffic volumes.

7.2 Scenario S1 — Coordinated De-escalation

SCENARIO S1: COORDINATED DE-ESCALATION (PROBABILITY: 20%)

The Iran-Oman reopening framework is finalized with US concurrence by September 2026 and, critically, holds through at least one contested incident without collapsing, unlike the April ceasefire and June MOU. Hormuz transits recover to 60-70% of baseline by November and approach 80% by year-end. The Houthi movement, deprived of the Hormuz-crisis context that appears to have prompted its resumption, returns to something resembling the October 2025 pause. Red Sea and Suez traffic recover in parallel. Malacca piracy growth stabilizes as displaced traffic returns to its pre-2026 routing pattern. Brent crude retreats toward \$68-72/barrel by December. The PGSA is formally wound down as part of the framework, its licensing function folded into a jointly administered Iran-Oman transit authority operating under the pre-existing 1968 Traffic Separation Scheme rather than Iran's unilateral zone.

This scenario requires more than a single successful negotiation; it requires the negotiated arrangement to survive the kind of contested incident, a disputed attack claim, a detained vessel, an ambiguous explosion of the sort reported near Hormuz on August 5, that has broken every prior de-escalation attempt in 2026. The most plausible mechanism for this scenario is a reopening framework sturdy enough to include pre-agreed incident-response protocols, of the kind the French-proposed international mission at the UN Security Council was reportedly intended to establish, rather than a simple bilateral understanding vulnerable to unilateral reinterpretation by either side.

7.3 Scenario S2 — Structural Status Quo (Central Case)

SCENARIO S2: STRUCTURAL STATUS QUO (PROBABILITY: 38% — ISDO CENTRAL CASE)

The Iran-Oman framework produces a partial, closely monitored reopening, similar in character to the April and June episodes, that holds longer than either prior attempt but remains fragile and subject to periodic disruption from Houthi attack claims or contested incidents. Hormuz transits stabilize in the 30-50% of baseline range, well short of a genuine recovery. Red Sea traffic follows a similar partial pattern, punctuated by episodic Houthi strikes of the kind claimed in early August. War risk premiums remain elevated across both corridors through year-end. Malacca piracy continues rising as displaced traffic patterns persist. Brent crude settles in a \$78-88/barrel range, elevated relative to pre-crisis levels but below acute-crisis peaks. The PGSA is neither dissolved nor formally recognized: it continues issuing authorizations that most carriers pragmatically comply with, an unresolved legal status that international shipping insurers and flag states tolerate rather than endorse, since contesting it would jeopardize the fragile traffic recovery this scenario depends on.

ISDO treats this as the central case because it best describes the pattern already observed twice in 2026: negotiated arrangements that produce genuine but partial and fragile improvement rather than either full resolution or renewed acute crisis. It requires no new favourable development beyond a continuation of the cautious, incremental normalization that has characterized the periods between the crisis's two prior collapses, and it requires no new adverse shock beyond the kind of episodic incident that has recurred every six to ten weeks since the war began.

7.4 Scenario S3 — Renewed Escalation

SCENARIO S3: RENEWED ESCALATION (PROBABILITY: 22%)

The Iran-Oman framework fails to materialize, or collapses shortly after announcement as the April and June arrangements did, and hostilities resume at an intensity comparable to the March-April 2026 peak. Hormuz transits fall back toward the single digits recorded in that period. The Houthis intensify Red Sea operations beyond the episodic pattern of recent months toward something closer to the sustained 2023-2024 campaign tempo. War risk premiums approach or exceed 2.0% for Hormuz-adjacent transit. Brent crude rises toward \$110-130/barrel. Malacca piracy, Gibraltar and Dover shadow-fleet tensions, and the naval-escort provocations documented in the Baltic all intensify as naval and diplomatic attention concentrates further on the Gulf, though Panama's port-operator dispute and Taiwan's own trajectory, examined in §7.6 below, continue to run on largely separate timelines regardless of what Hormuz does. The PGSA hardens rather than recedes: it expands its claimed management zone, raises its toll, and begins denying authorization outright to vessels flagged by states it deems hostile, moving from a licensing nuisance toward a functioning instrument of economic

This scenario does not require a dramatically new development, only the continuation of the failure pattern already observed twice, a third negotiated arrangement collapsing under the same pressures that broke the first two. Given that base rate, a 22% probability is arguably conservative rather than alarmist, and the scenario's plausibility is precisely why this report declines to treat S1 or S2 as confidently more likely than the evidence supports.

7.5 Scenario S4 — Multi-Chokepoint Contagion

SCENARIO S4: MULTI-CHOKEPOINT CONTAGION (PROBABILITY: 20%)

Renewed Hormuz and Red Sea escalation, as in S3, combines with a materializing incident in one or more of the secondary corridors examined in Chapter 4: a serious escalation in Malacca piracy toward vessel seizure or hostage-taking rather than opportunistic theft, a direct naval confrontation arising from a Gibraltar or Dover shadow-fleet interdiction, an attributed act of Baltic cable sabotage that triggers a NATO Article 4 consultation, or a sharp enough deterioration in Cabo Delgado security to force a renewed TotalEnergies suspension. Brent crude spikes above \$135/barrel with intermittent sharper moves on specific incidents. Insurance markets in multiple corridors simultaneously approach levels where some underwriters decline to quote war risk cover at all, forcing carriers toward self-insurance or route abandonment rather than premium-based risk pricing. The PGSA's unilateral licensing model becomes a template rather than an isolated case: this report treats it as a meaningful, if not certain, precondition for a littoral state elsewhere, plausibly in the Malacca or Bab el-Mandeb approaches, to attempt a comparable toll or authorization regime of its own, testing whether the international response to Iran's model was permissive enough to invite imitation. In its most severe form, this scenario does not require Taiwan or Panama to be causally triggered by Hormuz at all, it requires only that their own, largely independent risks, examined below, happen to materialize in the same window as a renewed Gulf crisis, which is a coincidence this report's probability weighting treats as a tail risk precisely because it does not depend on any single causal chain.

This is a genuine tail scenario rather than a central planning assumption, but it is not negligible, and its probability is calibrated higher than a purely mechanical extrapolation from S3 would suggest, because the interconnection thesis documented throughout this report, particularly in Chapter 4's synthesis section, implies that stress in one corridor measurably raises the likelihood of stress in others through shared mechanisms: stretched naval attention, elevated general risk appetite among insurers, and the simple fact that displaced traffic from one crisis corridor increases exposure in whichever corridors absorb it.

7.6 The Nine Straits Under Each Scenario

The S1-S4 framework above is organized around a single axis, the trajectory of the Hormuz and Red Sea conflicts, for the reason given in the Methodology chapter: it is the axis this report has the most and best evidence on. Not every corridor examined in Chapter 4 is equally sensitive to that axis, however, and treating all nine as if they moved in lockstep with Hormuz would overstate how much this report's central scenario framework actually explains.

Three of Chapter 4's corridors, Malacca, Gibraltar, and the Mozambique Channel, are tightly coupled to the Hormuz trajectory through the mechanisms this report has documented throughout: displaced traffic, stretched naval and diplomatic bandwidth, and the general risk-appetite effects that a Gulf crisis transmits to insurers and shippers operating everywhere else. These three corridors' behaviour under S1 through S4 can be read directly off the scenario boxes above without much adjustment. Sri Lanka is coupled more loosely, its India-China competition has its own multi-year momentum, examined in §4.4, that a Hormuz de-escalation would not meaningfully slow.

Four corridors are coupled more loosely still, and two of them barely at all. The Bosphorus and the Danish Straits, examined in §4.5 and §4.8, respond to the same stretched-naval-attention mechanism as Malacca and Gibraltar, but their primary driver is the Russia-Ukraine war rather than Hormuz, a conflict this report's scenario matrix does not model directly. A Hormuz de-escalation under S1 would free up some Western naval and diplomatic bandwidth that could, in principle, be redirected toward the Baltic and Black Sea, but nothing in this report's evidence suggests that redirection would happen automatically or quickly. Dover sits between the two groups, tied to Gibraltar through shared shadow-fleet routing patterns but to the Baltic through the naval-escort tactic documented in §4.7, and is best read as moving with whichever of those two dynamics is more active at a given time.

Panama and Taiwan are the clearest cases of corridors this report's scenario framework does not attempt to model directly, because their near-term trajectories turn on disputes, US-China port sovereignty for Panama, examined in §4.6, and cross-strait sovereignty for Taiwan, examined in §4.9, that have no meaningful causal link to whether Hormuz reopens. A reader trying to forecast Panama's arbitration outcome or the pace of Taiwan's semiconductor diversification should not expect this report's S1-S4 probabilities to carry any information on those questions; they are, in the framework's own terms, exogenous. What the framework can say about both is narrower but still useful: Panama and Taiwan are precisely the kind of independent risk S4 has in mind when it describes contagion as a coincidence of separately-driven crises rather than a single chain reaction, and their continued presence in the news independent of Hormuz's status is itself a standing reminder that a genuinely severe H2 2026 does not require every crisis in this report to share a common cause.

7.7 Monetary Policy Risk Under Each Scenario

The Brent crude and TTF gas paths in Table 7.2 describe an energy shock, and energy shocks pose a policy dilemma this report has not yet addressed directly: the correct response to inflation driven by a supply constraint is not the same as the correct response to inflation driven by excess demand, and the two are easy to conflate under political pressure. A central bank facing weaker growth and higher prices simultaneously, the textbook stagflation combination, faces genuine pressure to ease policy in support of growth even when the inflation reading is being driven by Hormuz and Red Sea disruption rather than by domestic demand its own tools can meaningfully address. Cutting rates, or holding them lower than the inflation reading would otherwise justify, does nothing to reopen the Strait of Hormuz; it does, however, risk validating and extending the inflation the energy shock has already introduced, by adding demand-side fuel to a fire that was never a demand-side problem to begin with.

The European Central Bank's June 2026 decision to raise rates despite weak growth, documented in §2.4 and in ISDO's parallel macroeconomic scenario report, is the textbook correct response on this logic: accept the growth cost, hold the line on inflation expectations, and let the energy shock work through relative prices rather than becoming embedded via a wage-price spiral. Not every monetary authority facing the same shock has the ECB's institutional independence or credibility to make that choice, and this is where the risk becomes concrete rather than theoretical. Emerging and developing economies, the same vulnerable-economy group UNCTAD's assessments in §5.4 identify as bearing the heaviest burden of the Hormuz shock, typically combine weaker central bank independence, less-anchored inflation expectations, and in many cases dollar-denominated external debt that a rate cut, by weakening the local currency, makes more expensive to service even as it is meant to relieve domestic pressure. A government facing political pressure to ease into a growth slowdown it did not cause has every incentive to do so and considerably less institutional insulation against that pressure than Frankfurt has.

The risk is not evenly distributed across this report's four scenarios. S1's retreating energy prices remove the dilemma largely on their own, there is little pressure to ease into a shock that is visibly fading. S3 and S4's more severe price paths make the case for tightening, or at minimum for holding firm, difficult for any credible authority to avoid regardless of institutional strength, the crisis becomes too visible to explain away, though the economic pain of doing so rises accordingly and, for import-dependent emerging economies specifically, can tip from a domestic inflation problem into an external-balance and currency crisis. The genuinely dangerous case is S2, this report's central scenario at 38% probability: energy prices elevated but not acutely crisis-level, growth weak but not collapsing, an ambiguous enough picture that the argument for easing can be made in good faith even though the underlying shock has not actually resolved. It is precisely this kind of prolonged, moderate, unresolved shock, rather than an acute and unmistakable one, that has historically produced policy errors of the kind this section describes, in some jurisdictions more than others.

Scenario	Brent path, Dec-26	Advanced-economy policy error risk	Emerging-economy policy error risk
S1: De-escalation	Falling to \$68-72	Low	Low
S2: Status Quo (central)	\$78-88 sustained	Moderate	High

Scenario	Brent path, Dec-26	Advanced-economy policy error risk	Emerging-economy policy error risk
S3: Renewed Escalation	\$110-130	Low	High
S4: Multi-Chokepoint Contagion	>\$135, spikes higher	Moderate	Extreme

Table 7.1: Monetary policy error risk by scenario: the probability that authorities respond to energy-driven inflation with easing rather than the tightening the shock's supply-side character warrants. ISDO analyst judgment; see Methodology §M.3.2 for the rating heuristic. Emerging-economy ratings for S3/S4 reflect external-balance and currency risk compounding the domestic policy dilemma. Source: ISDO scenario analysis, August 2026.

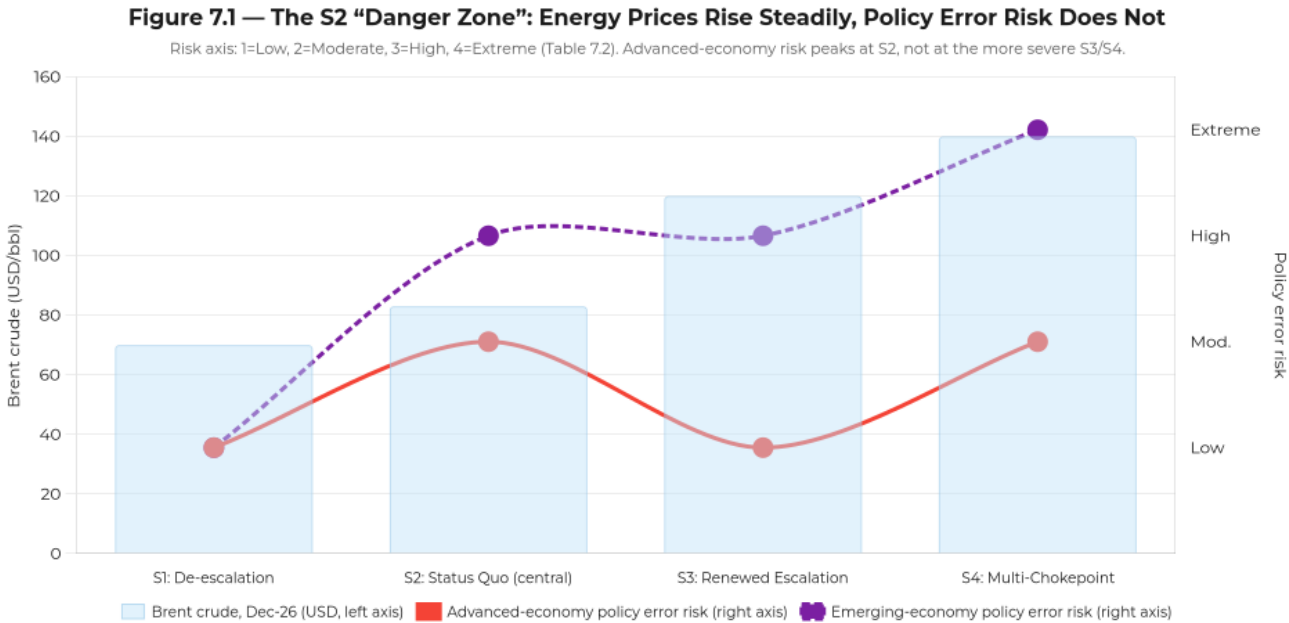


Figure 7.1: The S2 “danger zone”: Brent crude rises steadily across S1-S4, but policy error risk for advanced economies peaks at S2 rather than at the more severe S3. Source: ISDO scenario analysis, August 2026.

Economists in the Austrian tradition would read this dynamic through a more specific lens than the general stagflation-dilemma diagnosis above: Ludwig von Mises and Friedrich Hayek's business cycle theory holds that credit expanded, or held artificially cheap, during a period when real resources, energy, shipping capacity, fabrication capacity, are genuinely constrained does not create real output, it directs capital toward projects that appear profitable only at the distorted rate, and that a later, unavoidable correction exposes as malinvestment, the same concern this report raised about subsidized semiconductor capacity in §4.9. The Spanish economist Jesús Huerta de Soto, in what is probably the most systematic contemporary treatment of this theory, *Dinero, Crédito Bancario y Ciclos Económicos*, traces the mechanism specifically to fractional-reserve credit expansion, banks lending more than the real savings actually deposited with them, as the channel through which an eased policy rate translates into malinvestment rather than genuine growth, a more precise claim than "cheap credit" in the abstract. On this reading, a central bank easing into the S2 or S3 energy shock would not simply risk higher measured inflation; it would risk seeding a second, delayed correction on top of the immediate one, as capital committed under artificially supportive monetary conditions turns out, once real resource constraints reassert themselves, to have been allocated to the wrong projects. This report does not adopt that theory as its own forecast, the mainstream stagflation-dilemma diagnosis above stands on its own and does not depend on it, but flags it as the sharper version of this section's risk for readers who find the business-cycle mechanism, rather than only the inflation outcome, the more useful unit of analysis.

Mainstream macroeconomists would push back on this reading, and not merely from a difference in priors. New Keynesian models, the dominant framework in central banking practice and in most academic macroeconomics departments, distinguish a rate cut that accommodates a supply shock's price effects, generally treated as a policy error, from a rate cut that offsets the same episode's demand effects, war-related uncertainty and disrupted trade routes weighing on output and employment independently of the energy price itself, which many mainstream economists would treat as a legitimate stabilization response rather than as credit expansion beyond real savings in the Austrian Business Cycle Theory sense. On this reading, some of the S2 policy dilemma this section describes reflects a genuine negative demand shock riding alongside the supply shock, not only a temptation to accommodate inflation, and a central bank's task is precisely to tell the two apart rather than to treat every easing decision during an energy shock as malinvestment risk. It is also worth stating plainly that Austrian Business Cycle Theory holds minority status within the economics profession; most empirical macroeconomic work does not treat it as the best-supported account of how credit and the business cycle interact, a status this report's presentation of the theory alongside the mainstream stagflation-dilemma diagnosis above should not obscure.

7.8 Cross-Scenario Quantitative Summary

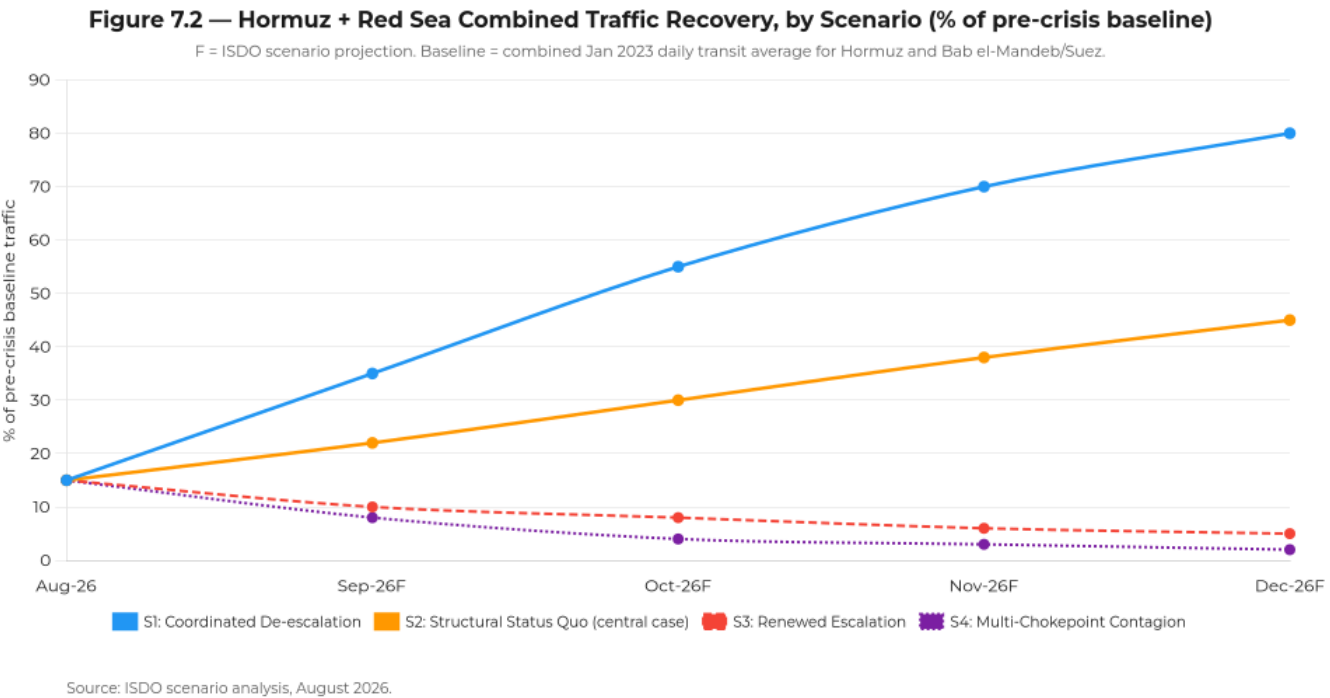


Figure 7.2: Hormuz and Red Sea combined traffic recovery path by scenario, August-December 2026, as % of pre-crisis baseline. Source: ISDO scenario analysis, August 2026.

Variable	S1: De-escalation	S2: Status Quo	S3: Escalation	S4: Contagion
Combined traffic, Dec-26 (% baseline)	~80%	~45%	~5%	~2%
Brent crude, Dec-26	\$68-72	\$78-88	\$110-130	>\$135
Hormuz war risk premium	~0.3%	~1.0-1.3%	~2.0%+	~3%+ or unquotable
Malacca piracy trend	Stabilizing	Continued rise	Sharp rise	Sharp rise

Variable	S1: De-escalation	S2: Status Quo	S3: Escalation	S4: Contagion
ISDO probability	20%	38% ★	22%	20%

Table 7.2: Cross-scenario quantitative summary, H2 2026. ★ = ISDO central case. Source: ISDO scenario analysis, August 2026.

7.9 Connecting to the 2030-2050 Scenarios of the Original Report

ISDO's original report closed with a set of long-horizon scenarios for 2030-2050, ranging from managed stabilization and partial Suez recentralization to enduring fragmentation into regionalized maritime blocs and, at the far end, a three-route global system incorporating mature polar corridors. The four short-horizon scenarios in this chapter are not a replacement for that framework but a set of near-term waypoints that shape which long-horizon path becomes more or less likely.

A close reading suggests this report's S1 is broadly consistent with continued movement toward the original report's managed stabilization scenario, in which Suez recovers a central role over time. This report's S3 and especially S4, by contrast, could plausibly accelerate movement toward the original report's enduring fragmentation scenario, in which regionalized, security-conscious routing becomes permanently embedded rather than a temporary crisis response, since insurers, carriers, and shippers who have now lived through two major Middle East disruptions within three years would have correspondingly less reason to treat any future calm as durable. Even this report's central S2 case, a fragile partial normalization that never fully resolves, arguably makes the fragmentation path somewhat more likely than the original report's own early-2026 baseline assumed, simply by extending the period during which alternative routing arrangements, Cape capacity, Arctic seasonal service, and diversified port relationships, have time to become structurally embedded rather than provisional.

The PGSA's own trajectory across the four scenarios is, in a sense, the sharpest single test of which long-horizon path the world is on. A dissolved or internationalized PGSA under S1 would be a genuine data point for managed stabilization, evidence that a wartime governance improvisation can still be unwound once its originating conflict ends. A PGSA that persists in the unresolved, tolerated limbo of S2, let alone the hardened or imitated versions of S3 and S4, is instead a data point for enduring fragmentation, since it would mean the world's most important energy chokepoint spent 2026 acquiring a permanent unilateral gatekeeper and the international system proved unable, or unwilling, to reverse that fact.

CHAPTER 8

Policy and Governance Recommendations

8.1 A Red Sea and Gulf Security Architecture Fit for 2026

ISDO's original report called for a Red Sea and Western Indian Ocean security architecture built around sustained multinational naval presence and improved intelligence sharing. The events of 2026 argue for extending that architecture explicitly to the Persian Gulf and for designing it around the specific failure mode this report has documented twice: negotiated arrangements that produce announcement-stage agreement without incident-resilient implementation. A security architecture for the remainder of 2026 should prioritize pre-agreed, depoliticized incident-verification mechanisms, potentially modelled on UKMTO's existing reporting role but with expanded authority and resourcing, so that the next contested incident does not by itself collapse whatever reopening framework is in place at the time.

Concretely, this means the Iran-Oman framework now under discussion should be judged less on whether it is announced than on whether it specifies, in advance, who verifies a disputed incident, on what timeline, and with what consequence for the reopening's status while verification is underway. Both prior 2026 de-escalation attempts treated a contested incident as grounds for unilateral suspension by whichever party invoked it first. A framework that instead holds pending verification, rather than defaulting to closure, would be a structurally different and more durable arrangement than anything attempted so far.

The PGSA's status is the specific question any such framework cannot leave ambiguous, whatever else it resolves. ISDO recommends that the reopening negotiation explicitly choose one of three outcomes rather than allow the current de facto tolerance to harden by default: dissolution of the PGSA with its licensing function absorbed into a jointly administered Iran-Oman mechanism built on the pre-existing 1968 Traffic Separation Scheme; formal internationalization, in which the PGSA's coordination role is preserved but subject to IMO or UN oversight rather than unilateral Iranian control; or, at minimum, an explicit multilateral statement that continued PGSA tolls do not constitute accepted practice, denying the arrangement the passive legitimacy that a year of unaddressed operation would otherwise confer on it. Leaving the question unresolved, the path this report's S2 central case assumes is most likely, is itself a policy choice with consequences: it is the scenario under which a wartime improvisation is likeliest to calcify into a permanent fact of Gulf governance.

8.2 Strengthening Global and Regional Maritime Governance

The UN Security Council's inability to advance any of the three resolutions tabled on Hormuz since April, the vetoed Bahraini draft, the unscheduled narrower US draft, and the unscheduled French mission proposal, illustrates a governance gap this report's Chapter 5 examined at length. ISDO recommends that maritime governance reform efforts pursue parallel tracks rather than depending solely on Security Council consensus: regional arrangements among Gulf littoral states and their immediate naval partners, of the kind that has shown some effectiveness in the Malacca context documented in Chapter 4, may prove more achievable in the near term than a framework broad enough to require P5 agreement.

IMO Secretary-General Dominguez's own diagnosis, that *fragmented responses are no longer sufficient*, is a starting point rather than a completed argument. ISDO recommends the IMO's paused maritime evacuation framework be resourced and relaunched with a standing rather than incident-triggered mandate, so that the organization is not rebuilding coastal-state cooperation arrangements from scratch each time a new attack forces a pause, as happened after the June 26 strike near Oman. A standing framework would also give the IMO a stronger institutional basis for the kind of coordinated response its Council has repeatedly called for but has so far lacked the operational structure to deliver.

8.3 Strait-Specific Recommendations

For Malacca, the priority is resourcing rather than new authority: Indonesia, Malaysia, and Singapore's existing trilateral patrol framework has the mandate needed to address the current piracy surge but may lack the vessel and personnel capacity to match the volume increase documented in Chapter 4, and international partners with a direct trade interest in the corridor, including the major Asian economies most exposed to a Malacca disruption, have a case for contributing resources rather than treating the patrols as a purely littoral-state responsibility.

For Gibraltar, continued allied naval tracking and selective interdiction of sanctioned shadow-fleet vessels should proceed, but with attention to the routing-displacement effect documented in Chapter 4: enforcement that simply pushes shadow-fleet traffic toward less-monitored North Atlantic passages achieves a narrower objective than genuinely constraining the fleet's operational capacity, and a coordinated approach across the Channel, Gibraltar, and North Atlantic theatres would close the gap that individual, theatre-specific enforcement currently leaves open.

For the Mozambique Channel, international partners engaged in Cabo Delgado security, the EU mission foremost among them, should treat the funding and continuity questions Rwanda has raised as a near-term priority given the direct linkage this report's Chapter 4 documents between security stability and LNG investment that is explicitly being positioned as a hedge against Gulf supply risk; a security lapse that forces a renewed TotalEnergies suspension would undermine a project increasingly relevant to the broader energy security picture this report addresses.

For Sri Lanka and the wider Indian Ocean, the recommendation is less about any single intervention than about recognizing, in line with this report's Chapter 4 analysis, that India-China port competition is likely to intensify rather than resolve, and that Sri Lanka's own interest lies in maximizing the commercial and developmental benefit it extracts from that competition rather than in attempting to fully avoid entanglement in it, an approach some Sri Lankan analysts cited in this report's research have already argued for.

For Panama, the recommendation is narrower and more technical than for the other three corridors: the Panama Canal Authority's reservoir expansion programme, already underway following the 2023-2024 drought, should be treated as a priority infrastructure investment given the roughly one-in-four chance of a strong El Niño event this report's Chapter 5 flags for H2 2026, since a canal that cycles between full capacity and drought restriction every two to three years imposes exactly the kind of routing unpredictability that pushes carriers toward the longer, higher-emission Cape alternative documented in Chapter 6. On the separate sovereignty dispute documented in §4.6, ISDO's recommendation is procedural rather than substantive: the parallel CK Hutchison arbitrations against Panama and against Maersk should be allowed to conclude through the London process both sides have chosen rather than through further executive action by any government, since a negotiated or arbitrated outcome would set a more durable precedent for how port-operator disputes at strategic chokepoints are resolved than an outcome imposed by political pressure alone.

For the Bosphorus and Dardanelles, the recommendation is institutional rather than operational: the Montreux Convention's ninetieth anniversary in July 2026 is an opportunity for its state parties to clarify, not reopen, the treaty's wartime discretion provisions, since the shadow-fleet tolerance documented in §4.5 stems from gaps in how Turkey enforces its existing authority rather than from any gap in the treaty itself. ISDO recommends that Montreux signatories use the anniversary to establish a standing consultative mechanism for enforcement questions of exactly this kind, rather than allowing them to continue being resolved unilaterally and inconsistently by Ankara alone.

For the Strait of Dover, the naval-escort tactic documented in §4.7 changes the calculus from law enforcement to deterrence: intercepting a tanker escorted by a Russian frigate is a materially different operation from intercepting one travelling alone, and UK policy should be explicit about which contingency its current posture is actually designed for. ISDO recommends closer operational coordination with France and with NATO's wider Channel and North Sea presence specifically to avoid a scenario in which UK vessels find themselves outmatched in an encounter their own government's interdiction policy initiated.

For the Danish Straits and the Baltic approaches, the priority is attribution rather than interdiction: the cable and pipeline sabotage pattern documented in §4.8 has proven easier to detect than to prove, and NATO's Baltic Sentry mission would benefit from a standing, multilaterally resourced forensic capability tasked specifically with establishing attribution fast enough to support a political response, rather than leaving each incident to a lengthy national investigation that concludes well after the news cycle has moved on.

For the Taiwan Strait, this report's recommendations are necessarily more limited than for the other eight corridors, since the underlying dispute is a sovereignty question no maritime security recommendation can resolve. ISDO confines itself to the narrower point that the semiconductor diversification documented in §4.9 should be treated by importing governments as a resilience measure worth pursuing regardless of the near-term political trajectory, not as a response contingent on any particular escalation scenario materializing, since the lead times involved in fabrication capacity mean the investment decision cannot wait for the crisis it is meant to hedge against.

8.4 Aligning Decarbonisation with Route and Security Choices

The emissions consequences documented in Chapter 6 argue for accelerating, rather than deferring, shipping decarbonisation investment even during an acute security crisis, since the crisis itself is generating additional emissions through longer routing and increased idling that a more resilient, lower-carbon fleet would be better positioned to absorb without compounding cost pressure on already-strained supply chains. ISDO reiterates its original report's call for IMO-level alignment between decarbonisation timelines and the route-security realities documented throughout this report, rather than treating the two as independent regulatory tracks.

More specifically, ISDO recommends that IMO member states use the intersessional working group established after the April 2026 session to resolve the Net-Zero Framework's outstanding disputes well ahead of the MEPC 85 session now scheduled for late November and early December, rather than allowing the framework to face a third postponement. Small island developing states and least developed countries, identified in Chapter 6 as the framework's most consistent supporters, should be given a proportionate voice in that process relative to their stake in predictable shipping fuel costs, not merely their formal vote share.

8.5 Supporting Vulnerable Coastal and Port States

The developing-country and small island developing state exposure documented in Chapter 5 argues for targeted multilateral financial support, potentially channelled through existing IMF and World Bank facilities, specifically calibrated to the compounded 2026 shock rather than to the smaller 2024-2025 baseline those facilities may have been designed around. ISDO recommends that international financial institutions conduct an updated vulnerability assessment reflecting the scale of the Hormuz-driven energy price shock documented in Chapter 1, given that existing assessments largely predate the February 2026 crisis onset.

ISDO endorses, rather than duplicates, the specific measures UNCTAD has already proposed in its 2026 rapid-assessment series: emergency financing access for essential imports and debt servicing through central bank currency swap agreements and regional financial assistance, expanded emergency lending capacity at multilateral development banks, and consideration by bilateral creditors of debt-service suspension where necessary to preserve fiscal space for food and energy imports. What these measures need most at this stage is not further technical elaboration but political commitment from the G20 and major bilateral creditors to activate them before the currency and financing damage UNCTAD has already documented becomes harder to reverse.

8.6 Economic Policy Responses to the Energy Shock

The analysis in §2.2, §4.9, and §7.7 identifies two economic policy risks distinct from the maritime security recommendations above: that monetary authorities respond to energy-driven inflation with easing rather than the tightening its supply-side character warrants, and that capital committed to subsidized supply-chain diversification is allocated by political calculation rather than tested against market signals. Neither risk is addressed by this

chapter's other recommendations, and both follow directly enough from this report's own findings to warrant a response here rather than being left as analysis without an ask.

On the monetary policy risk, ISDO recommends that central banks facing the ambiguous, S2-type conditions described in §7.7, energy prices elevated but not acutely crisis-level, growth weak but not collapsing, adopt an explicit pre-commitment protocol requiring public justification before any rate cut during a live, unresolved energy-supply shock. This is precisely the condition under which this report's own analysis finds policy error risk highest, and a standing protocol is a more reliable safeguard than relying on institutional discipline alone once the political pressure to ease actually arrives. For the emerging and developing economies Chapter 5 identifies as facing the sharper version of this dilemma, ISDO further recommends that the IMF's existing technical assistance programs add a standing module specifically calibrated to help member central banks distinguish supply-driven from demand-driven inflation in real time, since the danger this report describes stems as much from the genuine difficulty of making that distinction in the moment as from political pressure alone.

On the diversification-subsidy risk, ISDO recommends that governments committing public capital to supply-chain resilience projects of the kind documented in §4.9 build in mandatory sunset and reassessment clauses tied to observable market conditions, rather than open-ended commitments, so that subsidized capacity is periodically tested against the same market-price signals this report's §2.2 and §7.7 identify as a more reliable real-time indicator than any single scenario forecast, this report's own included. This recommendation does not require resolving the disagreement between schools of economic thought §4.9 declines to adjudicate: periodic reassessment against changing conditions is good practice whether the underlying justification for a given subsidy is a genuine security externality or a bet that may not pay off, and it costs little to build the mechanism in at the outset compared with the cost of unwinding an open-ended commitment once conditions have changed.

Section	Primary actor(s)	Recommendation	Timeframe
8.1	US, Iran, Oman, UK, France	Incident-resilient reopening framework with pre-agreed verification protocols	Immediate
8.1	Iran, Oman, IMO	Resolve PGSA status: dissolution, internationalization, or explicit non-recognition	Immediate
8.2	UN Security Council, IMO	Parallel-track governance; strengthen IMO evacuation and escort coordination	Q3-Q4 2026
8.3	Indonesia, Malaysia, Singapore + Asian trade partners	Resource, not just mandate, trilateral Malacca patrols	Q3 2026
8.3	UK, France, EU, NATO	Coordinate Gibraltar-Channel-North Atlantic shadow-fleet enforcement	Ongoing
8.3	EU, Rwanda, Mozambique	Secure Cabo Delgado mission funding continuity	Q4 2026
8.3	Montreux signatories (Turkey, Black Sea states)	Standing consultative mechanism for enforcement questions	Jul 2026 (90th anniversary)
8.3	UK, France, NATO	Coordinate Channel/North Sea response to naval-escorted shadow fleet	Ongoing
8.3	NATO Baltic Sentry, Baltic states	Standing multilateral forensic attribution capability	Q4 2026
8.3	Chip-importing governments	Treat semiconductor diversification as unconditional resilience investment	Ongoing
8.4	IMO MEPC (member states)	Adopt Net-Zero Framework at MEPC 85 without further delay	Nov-Dec 2026

Section	Primary actor(s)	Recommendation	Timeframe
8.5	IMF, World Bank, G20, bilateral creditors	Emergency financing, swap lines, and debt-service flexibility per UNCTAD recommendations	Immediate
8.6	Central banks, IMF	Pre-commitment protocol against easing into ambiguous energy-driven inflation; IMF technical assistance module	Ongoing
8.6	Governments funding supply-chain subsidies	Mandatory sunset/reassessment clauses tied to market conditions	Ongoing

Table 8.1: Summary of recommendations by section, primary actor, and timeframe. Source: ISDO compilation.

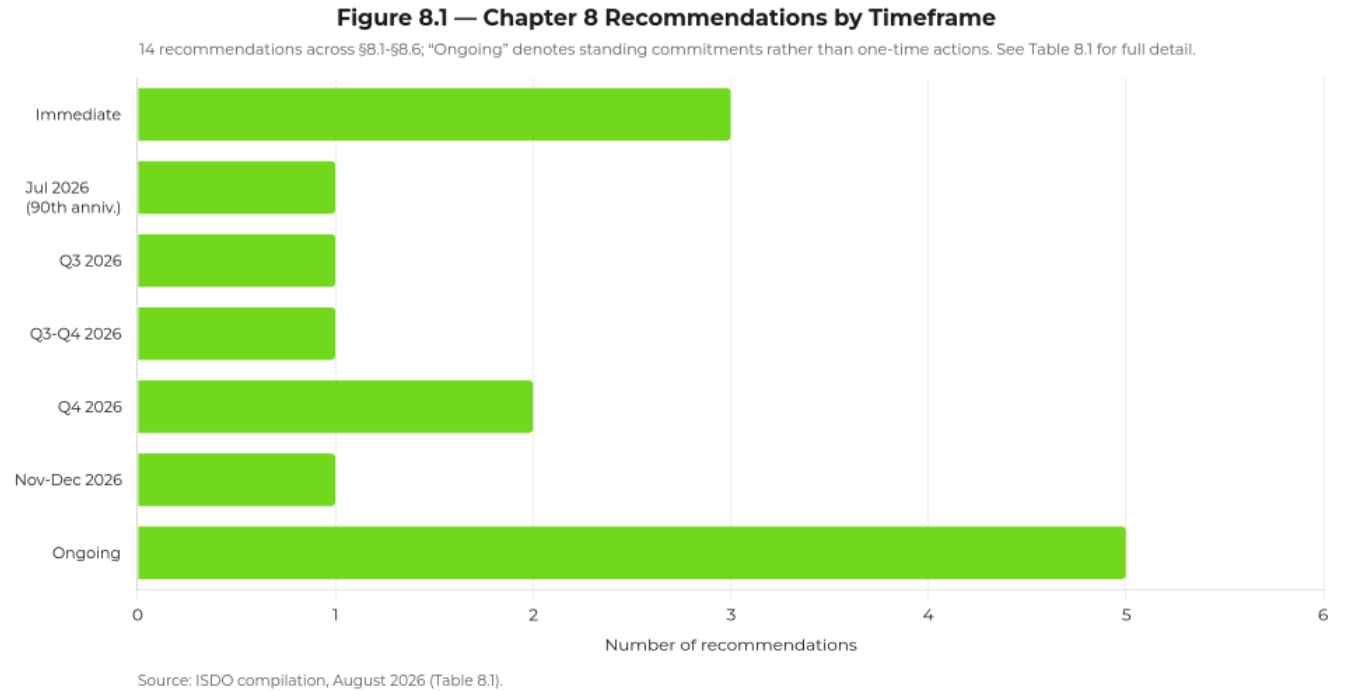


Figure 8.1: Chapter 8 recommendations by timeframe. Five of fourteen recommendations are standing commitments rather than one-time actions. Source: ISDO compilation, August 2026.

Annex A: Full Quantitative Scenario Tables

This annex expands the summary figures presented in Table 7.1 with wider variable coverage. All figures are ISDO analytical projections as of August 2026 and carry the uncertainty caveats set out in the Methodology chapter, §M.4.2 and §M.6 in particular: given that same-day Hormuz tracker data can disagree by a factor of five or more in the present, the ranges below should be read as illustrative midpoints of a considerably wider plausible spread four months forward, not as narrow point forecasts.

Variable	S1	S2 (central)	S3	S4
Hormuz transits, Dec-26 (vessels/day)	56-64	22-32	3-8	0-3
Red Sea/Suez transits, Dec-26 (vessels/day)	60-68	32-40	8-15	3-8
Brent crude, Dec-26 (USD/bbl)	68-72	78-88	110-130	>135
TTF gas, Dec-26 (EUR/MWh)	38-45	48-58	70-90	>95
Malacca piracy, 2026 full-year (incidents)	115-125	135-150	160-180	180+
Global supply chain cost increase (annualized, USD bn)	8-12	18-25	35-50	60+

Table A.1: Extended cross-scenario quantitative projections, December 2026. Source: ISDO scenario analysis, August 2026.

Annex B: Bibliography

All sources cited in this report were publicly available as of the August 5, 2026 cut-off date. Given the volatility of Hormuz crisis reporting documented in the Methodology chapter, several live-tracker sources update continuously; the figures cited in this report reflect the state of those trackers at the time of access.

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Annex C: Glossary of Technical Terms

ACLED: The Armed Conflict Location and Event Data Project, an independent conflict-monitoring organization whose casualty and incident data this report cites for Cabo Delgado in Chapter 4.

Bab el-Mandeb: The strait separating the Arabian Peninsula from the Horn of Africa at the southern entrance to the Red Sea, roughly 30 kilometres wide at its narrowest point.

CENTCOM: United States Central Command, the US military command responsible for the Middle East region, including enforcement of the naval blockade of Iran discussed in Chapter 1.

Contagion (in this report): The spread of maritime security strain from the Hormuz/Red Sea theatre to other chokepoints via rerouted traffic, stretched naval resources, or opportunistic exploitation of reduced attention. This report's own construction of the concept correlates closely with conflict escalation rather than varying independently of it; see Methodology §M.3.

FEU / TEU: Forty-foot and twenty-foot equivalent units, the standard measures of container shipping capacity.

IRGC: Islamic Revolutionary Guard Corps, the branch of Iran's armed forces responsible for the Strait of Hormuz closure and subsequent naval operations documented in Chapter 1.

Persian Gulf Strait Authority (PGSA): An Iranian government agency founded May 5, 2026, that claims sole authority to license and toll transit through a self-defined zone of the Strait of Hormuz. Sanctioned by the US Treasury; discussed at length in Chapters 1, 5, and 7 as this report's central case study in maritime governance fragmentation.

Shadow fleet: A network of older, often opaquely owned and reflagged tankers used to move sanctioned oil, principally Russian crude, in circumvention of Western sanctions regimes.

Traffic Separation Scheme (TSS): An IMO-recognized system of lanes and rules governing vessel traffic through a strait or congested waterway. The Strait of Hormuz's TSS was jointly proposed by Iran and Oman and adopted by the IMO in 1968; it predates and is legally distinct from the PGSA's 2026 licensing regime.

UKMTO: United Kingdom Maritime Trade Operations, the body that collects and verifies incident reports from commercial shipping in the Gulf of Aden, Red Sea, and wider Indian Ocean region.

VLCC: Very Large Crude Carrier, an oil tanker class of roughly 200,000-320,000 deadweight tonnes, among the vessel types most exposed to Hormuz war risk premiums.

War risk insurance: Supplementary marine insurance covering loss from war, piracy, and related perils, priced separately from standard hull and machinery cover and typically quoted as a percentage of insured value per voyage.

Disclaimer

The findings, projections, and analytical judgments in this report reflect the authors' assessment as of early August 2026 and do not represent the official position of any government, naval authority, or international institution. Scenario projections in Chapter 7 and Annex A are not forecasts. They are structured analytical constructs designed to bound the range of plausible outcomes, not predictions of what will occur, and they are subject to revision as the underlying conflict develops.

Given the exceptional volatility of the situation this report documents, particularly regarding the Strait of Hormuz, readers should treat all transit, price, and incident figures as approximate and time-stamped to the August 5, 2026 cut-off date rather than as current at the time of reading. Where independent sources reported materially different figures for the same indicator, this report has noted the range rather than selecting a single number, consistent with the data-quality approach set out in the Methodology chapter.

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