

The War That Gave Iran a Diamond

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When the war between the United States and Iran flared again in mid-July, the battlefield was already much larger than Iran. On 18 July, American strikes hit areas stretching from Ahvaz and Yazd to Bandar Abbas, Qeshm and Chabahar. Tehran claimed in return to have hit American military facilities in Kuwait, Jordan, Oman, Qatar and Bahrain, with another missile reportedly aimed at a US base in Saudi Arabia. At sea, the Revolutionary Guards claimed two tankers had been hit trying to cross a mined area south of the Strait of Hormuz. Much of the detail remains contested or unverified, but the geography told the story: the war had moved from being about Iran to being about the Persian Gulf around it.

Then came an alert around Yanbu, Saudi Arabia's great oil outlet on the Red Sea, sitting at the end of the East-West Pipeline built to let Saudi oil escape the Gulf without passing through Hormuz — for years, part of Riyadh's answer to Iran's geography. If the war can reach Yanbu, even the escape route from Hormuz is no longer necessarily an escape.

President Donald Trump went to war to take things away from Iran: its nuclear capabilities, missile power, regional networks and, perhaps, the regime's confidence that it could resist American pressure indefinitely. Instead, the war may also have handed Tehran a diamond. That diamond is the Strait of Hormuz.

Iran has come out of five months of fighting battered, poorer and more isolated. Its infrastructure has been hit, its economy is under enormous pressure, and its supreme leader was killed and replaced by a successor who has not been seen in public since. Yet the same war has taken an Iranian threat repeated for decades and turned it into a fact of regional life: Iran no longer merely threatens to disrupt Hormuz, and governments, shipping companies, insurers and oil markets now have to calculate their behavior around the real possibility that it can. Iran has been weakened, but the system built to contain it has also been exposed as weaker than advertised and it is still far too early to know which fact will matter more.

The diamond in the Strait

For years, every crisis between Iran and the United States came with a familiar warning from Tehran: if pushed too far, Iran could close the Strait of Hormuz. The threat became so familiar it nearly lost its meaning: Iran had every reason not to close the Strait completely, since its own trade moved through the same waters, Chinese and other customers would suffer, and closure could invite the overwhelming American response Tehran wanted to avoid. The assumption was that Hormuz was a threat Iran could brandish but not use. The war changed that.

Iran discovered it did not have to close the Strait in the literal sense. It only had to make the Strait uncertain. A tanker does not need to be sunk for insurance costs to rise, nor a port destroyed for investors to reconsider risk. Shipping does not need to stop for captains to alter routes, governments to negotiate access and traders to add a war premium.

By late April, insurers were reportedly requiring some ships to follow routes accepted by Iran to obtain war-risk coverage, and Tehran announced it had begun collecting revenues tied to passage through the waterway. Whatever the legal merits of that claim, the political point was made: commercial actors were adapting to Iran's power on the water rather than waiting for Washington to make the problem disappear.

Washington tried to reverse this with military pressure and maritime restrictions. But blockades work only when the blockader can endure the consequences longer than the blockaded, and Iran is deeply exposed: more than 90 per cent of its external trade moves through the Persian Gulf. Yet Iran has also spent decades learning how to live badly, building smuggling networks, informal payment channels and a bureaucracy trained to manage scarcity. The economy bends first; breaking it takes longer. And the pressure does not stay in Iran: if Washington turns an Iranian economic crisis into a tool of coercion, Iran turns it into everybody's crisis. Shipping becomes more dangerous, oil more expensive, American bases become targets, and Gulf states begin asking whether the price of pressuring Iran is being charged to them.

This is the strategic dance at the center of the war. Washington wants to concentrate pressure on Iran until negotiation beats resistance; Iran wants to distribute that pressure until Washington's partners decide accommodation with Tehran costs less than American coercion does. The Gulf monarchies are not Iran's hostages in any literal sense, but they have become hostages to the confrontation.

For decades their bargain with Washington was simple: American bases would keep major war away, and in return they could build the world's busiest airports and tourism economies behind an American shield. The problem is what happens once arrows start flying through that shield. A US air base in Qatar or Kuwait can deter Iran in peace - in war, it gives Iran something to shoot at. A world-class port is an asset until missiles make shipping companies reconsider entering it, and desalination plants sustaining modern Gulf cities become, by that same dependence, a vulnerability. The same concentration that made the Gulf rich also makes it fragile. What Tehran has acquired is not mastery of the Gulf but the ability to impose fear on the system around it, a different kind of power.

A strategy in search of an end

The United States does not have an obvious military problem with Iran. It can hit it; the question is what happens after. Since February, American forces have shown they can destroy Iranian facilities, strike infrastructure and pressure oil exports across a huge theatre. On paper, the imbalance is overwhelming. But wars are not settled on paper.

Trump's problem is that almost every American military success has produced another political question. Hit the nuclear sites, and what prevents rebuilding? Strangle the economy, and does that produce concessions or escalation? Reopen Hormuz by force, and who keeps it open next month? And if the regime does not collapse, then what?

The administration has moved between several answers without settling on one: demanding sweeping Iranian concessions at times, hopes the state might crack from within at others, then

negotiations, ceasefires and a proposed formula for Hormuz. That is not tactical flexibility. It is evidence of an unresolved endgame.

In early April, after 40 days of costly fighting, the first truce was hailed as a breakthrough. It was deferred escalation. Trump agreed to halt planned attacks on Iranian infrastructure as the Strait reopened under contested arrangements. Washington saw a pause that would restore shipping; Tehran saw the start of something bigger - a chance to convert having survived the war into political terms it could not have won before it. That distinction never went away.

Iran was not negotiating merely to stop American bombs. It wanted sanctions relief, recognition of its nuclear rights, constraints on future attacks and a role in Hormuz's security, leverage it had discovered and was not about to trade away for a ceasefire. Washington could not accept a settlement that appeared to reward Iran for disrupting one of the world's most important waterways. Both sides wanted peace, but not the same peace: Iran wanted to harvest the war, America to end it without looking as though Iran had won.

The June memorandum briefly offered a bridge: oil sanctions eased, the maritime blockade lifted, frozen assets and reconstruction discussed, but the argument over Hormuz was never resolved. Tehran believed the arrangement recognized an Iranian role in managing security and passage; Washington insisted freedom of navigation meant freedom from Iranian control. The difference was not maritime bureaucracy but the political meaning of the war: surrender the new leverage before a durable settlement, and Iran had paid a terrible price for nothing; accept Iranian rules in the Strait, and a war meant to reduce Iranian power would have legitimized an expansion of it. By July, the paper settlement had collided with that reality.

After this most recent outbreak of hostilities in mid-July, Trump claimed American and Iranian representatives had spent 11 hours negotiating in Oman; Tehran said no such direct talks occurred and that its officials met only the Omanis. Both accounts may contain part of the truth: Oman has long specialized in letting Americans and Iranians negotiate without admitting they are negotiating. Who sat in which room matters less than the need each government has to tell a different story: Trump wants to show he offered peace and Iran walked away; Tehran needs to show it did not crawl back to talks while under attack, since for a regime whose legitimacy rests on resistance, negotiating under fire is almost as dangerous as the terms themselves. Nobody wants to admit needing diplomacy.

The White House may see this as coercive diplomacy: hit Iran, raise the cost, offer an exit, then hit it again if it refuses. It is not irrational, but each turn of the wheel leaves the conflict larger than before. The latest American campaign has expanded geographically and moved further into infrastructure; Iran has answered by widening the map of retaliation around US bases and Gulf facilities. What Washington sees as calibrated escalation, Tehran has every incentive to answer in kind and the danger with ladders is that, climbed high enough, the ground disappears from view.

The weaker Iran that is harder to defeat

Iran has not emerged stronger from this war. That claim, popular in some corners of Tehran, is hard to sustain. Its economy is poorer, its military infrastructure damaged, its citizens worn

down by attacks and months of uncertainty. Ali Khamenei is dead, and the regional network built over decades is under unprecedented pressure, particularly in Lebanon.

Yet it would be equally wrong to call this the decisive defeat its enemies expected. The regime survived, and that matters because so much of the war's early logic rested on the assumption that enough pressure would turn military destruction into political collapse: kill the leader, damage the Guards, choke the economy, and the system would fracture. It did not. The Islamic Republic proved again that its resilience is institutional rather than personal - the Supreme National Security Council, the Revolutionary Guards and the security bureaucracy kept functioning through the removal of senior figures, a system built over decades precisely because Khamenei never had the personal charisma of Ayatollah Khomeini. But survival has its own trap: a regime can survive a war while the country beneath it deteriorates.

That is the point made, perhaps unintentionally, by a confidential study reportedly tied to presidential adviser Ali Rabi'i. Unauthenticated and unverifiable, its figures should be treated with caution, but the portrait matches what Iranian economists and newspapers have said more openly: 81 per cent of respondents reportedly struggle to meet food needs, average life satisfaction sits at 5.5 out of ten, and roughly three-quarters say most other people cannot be trusted. The war did not create this: it landed on a society already carrying inflation, sanctions and political exhaustion, and added the destruction of ordinary expectation. When citizens stop trusting institutions, and each other, they retreat into private networks. Iran becomes resilient in miniature and brittle at scale — enduring through family and improvisation rather than the state.

The same data hint at a narrower nationalism: a majority reportedly oppose continued support for what Tehran calls the “resistance front”. Iranians may have grown more determined to defend Iran without growing more committed to the regional project built in Lebanon, Iraq, Syria and Yemen as “forward defense.” If enough conclude that network did not keep American and Israeli bombs from their own cities, that old bargain gets harder to sell. Tehran has emerged more willing to take risks and more convinced pressure produces results but no country projects power indefinitely from a decaying economy. Talk of “social reconstruction” in Tehran is telling, and inadequate: a family that cannot afford meat does not have a messaging problem, and Iran now needs to repair what was broken before America ever arrived.

The winners outside the ring

The temptation after a war is to look for a winner among the combatants. The more interesting winners avoided most of the fighting. Turkey is the clearest case: Ankara has suffered nothing comparable to Iran's destruction or the Gulf's insecurity, yet nearly every structural shift raises its value: a region seeking military partners looks to Turkey, disrupted Gulf trade routes make alternative corridors matter more, and a Middle East less confident in a single American protector makes room for a NATO state that insists on acting as a power in its own right.

Pakistan has gained even more unexpectedly, moving from mediator toward security provider. Reports of Kuwait discussing expanded defense cooperation with Islamabad, talk of a broader Turkish-Pakistani-Saudi arrangement, and interest from Bahrain and Jordan show how fast the regional security market is shifting. Nobody is about to replace American troops with Pakistani

ones. The Gulf states are simply buying options. Gulf security was long hierarchical, Washington at the top and local partners with nowhere else to go; now they look sideways, and indispensable is no longer the same as exclusive. Pakistan should be careful what it wishes for, though: the deeper Islamabad wades into Gulf defense, the harder it becomes to also mediate with Tehran.

Saudi Arabia is harder to classify. The war has vindicated Mohammed bin Salman's instinct that the kingdom needs greater strategic autonomy, and Riyadh's diversifying partnerships and local defense buildup now look less like hedging and more like insurance. Yet the kingdom has also discovered how hard it is to insure geography: Hormuz can be bypassed through Yanbu, and then Yanbu itself comes under threat. The UAE has money to rebuild almost anything, but not a reputation for insulation from regional disorder — Dubai and Abu Dhabi were built on the promise that the region's politics could rage outside while business continued inside, a promise war-risk premiums and disrupted aviation now attack as much as the infrastructure does. Bahrain is more exposed still; Kuwait and Qatar have enormous wealth, but wealth does not move them away from Iran. The Gulf states are losers even where physical damage is limited: their greatest asset was never oil but confidence, and the war has taxed it.

China gains at the margins - every Gulf doubt about exclusive dependence on Washington is another conversation with Beijing, and every American carrier tied down in the Middle East is one less symbol of an undistracted pivot to Asia. But Beijing is not replacing Washington; it wants the oil to flow and Iran not to collapse, with little appetite to park its military between Iran and the Arab monarchies.

Israel's balance sheet is more ambiguous. It inflicted enormous damage on Iran and its regional network - no small achievement - but went to war against an Iranian threat and still has one: the regime survived, its missile forces survived in sufficient numbers to matter, and Hormuz became more central to the regional balance, not less. Israel may have won many battles while making its own strategic environment less stable. America faces the same paradox at greater scale, having shown it can punish Iran almost at will but not that it can decide what Iran becomes afterward.

No winner yet

The war has not strengthened Iran in the ordinary sense of the word. A stronger Iran would have a healthier economy, safer cities, intact infrastructure and citizens who believed in the future; this Iran has none of that. But weakening a state is not the same as solving the problem it represents. Washington and Israel have weakened Iran without making it strategically irrelevant. In one respect, they have done the opposite. By turning Hormuz from a rhetorical threat into an operating fact, they have helped Tehran show that even a wounded Iran can impose unacceptable costs on its neighborhood.

The Gulf states have learned something too: American protection can reduce their vulnerability to Iran, but it cannot abolish geography, perhaps the war's most lasting consequence. The regional order is becoming less tidy. America remains the largest military power, but its partners are shopping for second opinions: Turkey rising, Pakistan courted, Oman and Qatar turning mediation into strategic capital, Saudi Arabia building room to maneuver, China

waiting behind the door. Iran, meanwhile, is weaker as a country and perhaps stronger in one argument: there is no cheap military answer to it.

What happens next will decide whether that argument survives. The two sides may yet return to serious diplomacy - they have never truly stopped communicating, even while insisting otherwise. Iran's political establishment, noisy rejectionists aside, is not fundamentally divided over whether reducing pressure would help; the fight is over price, timing, and how to make a deal without it looking like surrender. Trump faces the mirror image: he needs an agreement that does not look like an admission that months of bombing ended with Washington accepting an Iranian veto in Hormuz. Both governments need diplomacy, and both are frightened of looking as though they need it. That leaves the middle course - neither war nor peace, but bombing, retaliation, blockade, negotiation, and another round of bombing. It is sometimes called controlled escalation. There is no reason to assume it stays that way.

A missile that kills too many Americans, a strike that leaves a Gulf city short of water, a tanker disaster in Hormuz, an attack on Yanbu, or a new Israeli campaign in Lebanon could each change the conflict's character in a day. This is how regional wars grow - not because every participant wanted the larger war at the start, but because each made one more decision that seemed manageable at the time. Trump's war began with Iran. Its greatest danger is that it ends up belonging to everyone.