The Target Is Not the Ship. It Is the Price of Risk.

An unconfirmed report that Iran is planning attacks on shipping and ports across Southeast and East Asia should not be repeated as established fact. Nor should it be ignored.

Iran International reported in August that Unit 4000 (the external-operations arm of the Islamic Revolutionary Guard Corps Intelligence Organization) was recruiting non-Iranian operatives for attacks around the Malacca and Bangka straits and at ports in Indonesia and China.[1]

The report relies on unnamed sources and provides no documentary evidence. Some of those accused have publicly denied the allegations,[2] while there has been no independent confirmation from the governments of Indonesia, Thailand or China. Its headline also claims that Unit 4000 "plans attacks," although the body of the article says the organization is "considering" them. This is an important distinction.[1]

Nevertheless, the report describes a plausible strategic development.

Iran has a long history of recruiting foreign nationals, criminal intermediaries, and other deniable proxies for operations abroad.[3][4] What is new is not the method, but its potential application to the Indo-Pacific's economic architecture.

Iran did not discover asymmetric economic warfare in the Strait of Hormuz. Hormuz has instead validated, in real time, a doctrine Tehran has practiced for decades: a relatively modest threat to a maritime chokepoint can impose economic costs many orders of magnitude greater than the weapon used.

The target is not necessarily the ship. The target is the price of risk.

Missiles, mines and drones cause physical damage. But their larger economic effects are produced by insurers, shipping companies, commodity traders and manufacturers responding rationally to uncertainty. A handful of attacks can raise war-risk premiums, make crews unwilling to sail, persuade shipping companies to withdraw, and prompt cargo owners to seek longer or more expensive routes.[5]

The Houthis demonstrated this in the Red Sea after 2023. Iran has now demonstrated it more directly in Hormuz.[6] Recent Houthi gains along Yemen's Red Sea coast have strengthened Tehran's indirect leverage over Bab el-Mandeb, giving Iran and its partners the capacity to place pressure on two of the world's most important maritime chokepoints.[7]

The second-order consequences are already visible well beyond the battlefield. Asian liquefied natural gas prices have risen sharply. Bangladesh has experienced blackouts, factory shutdowns, and canceled export orders. Pakistan has introduced fuel subsidies to contain public anger.[8] Energy-intensive industries across Asia are reducing production or shifting to more polluting fuels.[9]

These are not incidental humanitarian or commercial side effects. They are strategic effects.

First-order war destroys targets. Second-order war re-prices risk. Third-order war rearranges economies and political alignments.

This is where the planning behind aggressive military action too often becomes dangerously incomplete. Military assessments are generally very good at estimating which targets can be destroyed, how many aircraft or missiles will be required, and what an adversary's immediate military response might be. They are less reliable at tracing how retaliation will move through energy markets, insurance contracts, supply chains, domestic politics, and alliance relationships.

That is not an argument against military action in every circumstance. Nor does anticipating Iranian retaliation excuse it. Iran remains responsible for any attack it conducts or enables.

But moral responsibility and strategic foresight are different questions. Strategy requires governments to ask not only what their weapons can destroy, but what the adversary can make the rest of the world pay afterward.

A campaign intended to weaken Iran may instead give Tehran new leverage if it encourages the regime to distribute maritime coercion across multiple theatres. It may also impose greater costs on vulnerable US partners than on Iran itself, while stretching American and allied naval, intelligence and air-defense resources across an expanding geography.

The Strait of Malacca would be an especially attractive pressure point. Iran would not need to close it. Even several ambiguous incidents (or credible warnings of attacks) could produce disproportionate commercial effects. Ships could still sail while insurance became more expensive, delivery times lengthened, and inventories accumulated in the wrong ports.

The inclusion of Shanghai and Ningbo-Zhoushan in the Iran International report is therefore particularly interesting. Deliberately attacking major Chinese ports would appear strategically reckless for Tehran. China is Iran's most important oil customer and one of the few major powers with significant economic leverage over it.[10]

The alleged targeting may therefore represent contingency planning rather than an approved operation. It may be coercive signaling intended to persuade Beijing to pressure Washington. Alternatively, disclosure of the alleged plan may itself be designed to prompt China and Southeast Asian governments to dismantle suspected Iranian networks.

Whatever the explanation, it points to an underused economic lever for Washington and its allies: Beijing's interest in safe maritime trade. A narrow US-China-ASEAN dialogue on protecting commercial shipping would not require broader strategic accommodation. It would recognize a shared interest in preventing a Middle Eastern conflict from metastasizing into Asian ports and waterways.

More broadly, Western governments need to stop treating economic statecraft as a synonym for economic punishment. Additional tariffs will not deter an expendable local operative. Iran has also had decades to adapt to sanctions, build illicit financial networks and transfer costs to its own population.[11]

The more relevant response is economic deterrence by denial: reducing Tehran's ability to convert a small attack into a global economic shock.

That should begin with an allied war-risk insurance and reinsurance mechanism to keep compliant commercial vessels moving during a crisis. Governments already insure or guarantee strategically important activities that private markets cannot price affordably.[12] Preventing commercial withdrawal from a critical waterway is no less important than deploying naval escorts to protect the ships that remain.

The United States, Australia, Japan and their partners should also develop emergency fuel-sharing arrangements, LNG swaps, trade-finance facilities and temporary working-capital support for vulnerable regional economies. Strategic reserves buy time, but financial support is also needed to prevent energy shocks from becoming factory closures, unemployment and political instability.

An ASEAN-led Maritime Economic Resilience Compact could finance port cybersecurity, maritime-domain awareness, emergency fuel storage, rapid infrastructure repair and greater redundancy across regional logistics networks. Australia is particularly well placed to help convene such an initiative, with support from Japan, the United States, the Quad and the Asian Development Bank.

Financial pressure would still have a role, but it should be precise. Intelligence-led investigations can identify the bank accounts, commercial fronts, travel patterns, training conduits and logistics services used by individual operatives. Prosecutions, asset freezes, visa restrictions and denial of port, bunkering and insurance services can disrupt an operational network without imposing another indiscriminate sanctions package.

Governments must also preserve diplomatic off-ramps. Specific and reversible economic relief can be made conditional on the verified cessation of maritime attacks and support for proxy operations. A strategy that relies only on escalating penalties gives an adversary no reason to stop escalating in return.

For Australia, this challenge reinforces the need to treat economic warfare as a distinct national capability, integrating intelligence, Treasury, foreign affairs, defense and industry. Economic consequences cannot remain an annex added to military planning after the principal decisions have been made.

Tactical success is measured in targets destroyed. Strategic success is measured in the system that remains afterward.

If military action leaves Iran able to export insecurity from Hormuz to Bab el-Mandeb and potentially onward to Malacca, it may have succeeded on the battlefield while losing the economic war.

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AI Disclosure

Generative AI was used to assist with source discovery, drafting and editing. The author independently reviewed the cited material and takes full responsibility for the analysis, judgments and final text.

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