# Asian Energy Crisis: Who Lost the Most?

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Title

**Asian Energy Security in Crisis: How China, Japan, and South Korea Navigated the Strait of Hormuz Blockade**

## 1. Introduction

On 28 February 2026, the United States and Israel launched coordinated airstrikes against Iran's military infrastructure, triggering a chain of events that would deliver one of the most severe shocks to the global energy system

since the oil crises of the 1970s (Atlas Institute for International Affairs, 2026, p. 2). Within hours of the strikes, Iran's Islamic Revolutionary Guard Corps broadcast a stark message across VHF radio frequencies: no vessel was permitted to pass the Strait of Hormuz. For a world already navigating post-pandemic debt overhangs and renewed inflationary pressures, the timing could hardly have been worse.

What happened next was not simply a military standoff in a distant waterway. It was a stress test of the international economic order, and nowhere did that test hit harder than in East Asia. China, Japan, and South Korea, three of the world's largest and most interconnected economies, suddenly found themselves cut off from the artery through which a staggering share of their energy flows. In 2024, these countries, alongside India, accounted for a combined 69% of all crude oil and condensate flowing through the Strait of Hormuz (U.S. Energy Information Administration, 2025, p. 3). The blockade did not affect the world equally. It was, by design and by geography, overwhelmingly an Asian problem, and within Asia, it exposed a fault line that had long been acknowledged in policy circles but never truly tested.

This brief shows that the Hormuz crisis was not merely an energy disruption. For China, Japan, and South Korea, it constituted a rupture in the architecture of international economic relations, exposing the fragilities of export-led growth models dependent on cheap and stable energy access, and that accelerated a realignment of energy diplomacy, trade strategy, and geopolitical posture.

## 2. The Anatomy of Dependence

To understand why these economies were hit hardest, we need to look at the numbers. The Strait of Hormuz is an extraordinary concentration of economic vulnerability in a 21-mile-wide passage. In 2025, nearly 20 million barrels of oil per day were exported via the Strait, (International Energy Agency, 2026, p. 5) with alternatives almost nonexistent: even the most optimistic bypass scenarios, such as Saudi Arabia's Petroline pipeline, cover only around 2.6 million barrels per day, meaning two-thirds of current Gulf crude exports remain physically dependent on the strait (Atlas Institute for International Affairs, 2026, p. 4).

The three countries sit at different points on the vulnerability spectrum; Japan faces the most acute structural risk, with imported fossil fuels accounting for 87% of its needs, and approximately 95% of its crude oil imports originate from the Middle East (Zero Carbon Analytics, 2026, p. 2). Japan alone imports 1.6 million barrels per day through the strait; a sustained closure would widen its trade deficit sharply, weaken the yen, and tip the economy toward stagflation (Atlas Institute for International Affairs, 2026, p. 6). These are not theoretical forecasts; rather, they closely resemble

the events that followed the oil shock of 1973, when Japan's industrial output plummeted, and its GDP shrank by more than 1% in a single year.

South Korea's position is structurally similar, though with a marginally more buffer, getting about 70% of its crude from the Middle East and routing more than 95% of that through Hormuz (World Economic Forum, 2026, p. 3). Its net oil imports equal 2.7% of gross domestic product – a figure that placed it among the most current-account-exposed economies in the region (IG Markets, 2026, p. 2). Equity markets responded accordingly: the KOSPI declined over 11% from the onset of the conflict, with a circuit breaker triggered in early March (IG Markets, 2026, p. 3).

China's position is more nuanced, carrying significant implications for how the crisis unfolded diplomatically. China is the world's largest oil importer, with roughly half of its more than 11 million barrels per day sourced from the Middle East (Atlantic Council, 2026, p. 2). Yet China also holds the world's largest onshore crude stockpiles – approximately 1.2 billion barrels as of January 2026, providing roughly 108 days of import cover (Atlantic Council, 2026, p. 3). Beijing also purchases over 90% of Iran's oil exports, giving it dual exposure: as a buyer of Iranian crude that was already navigating Western sanctions, and as a major consumer of Gulf Arab oil that depended on an open strait.

## 3. Economic Transmission: From Chokepoint to Factory Floor

The immediate economic effects of the blockade were dramatic and swift. The closure is the largest disruption to world energy supply since the 1970s energy crisis (International Energy Agency, 2026), with Brent crude jumping 15% in the early days of the conflict, surging towards $120 a barrel as the crisis deepened (World Economic Forum, 2026, p. 4). For Japan and South Korea, both of which operate enormous petrochemical, automotive, and semiconductor manufacturing sectors, the consequences cascaded through supply chains.

Japan and South Korea are deeply integrated nodes in global manufacturing value chains. When energy input costs spike, the effect does not stay contained within the energy sector – flowing into industrial electricity prices, which affect the competitiveness of export sectors; into transportation costs, which affect the logistics of regional trade; and into the cost of petrochemical feedstocks, which underpin everything from plastics to pharmaceuticals to semiconductor fabrication materials. Analysts warned that a prolonged blockade would create a widening supply gap, potentially delivering a severe blow to both countries' oil refining and petrochemical industries, with tanker rerouting around the Cape of Good Hope increasing freight costs by 50–80% (Blooming Global, 2026, p. 2).

For China, the inflation channel was somewhat muted by its ongoing deflationary environment – rising input costs, paradoxically, helped cushion consumer price pressures that Beijing had been trying to stimulate

rather than suppress, but this buffer masked a deeper structural exposure. China would need to compete for Atlantic cargoes if the outage persisted, tightening the Pacific basin and intensifying price competition across Asia even if Beijing avoided outright shortages (CNBC, 2026). In a region where energy procurement is already competitive, this dynamic risked triggering a race among Asian importers that would drive up spot prices regardless of bilateral supply arrangements.

The LNG dimension added another layer of complexity. QatarEnergy declared force majeure on its contracts and began shutting down gas liquefaction, as LNG tankers could not leave the Gulf (International Energy Agency, 2026). South Korea sources 14% of its LNG from Qatar and the UAE, while Japan sources 6% from those suppliers, and inventories held only enough for roughly two to four weeks of stable demand (CNBC, 2026).

## 4. The Diplomacy of Desperation: Three Countries, Three Strategies

The crisis revealed notably divergent diplomatic strategies employed by these countries when confronted with the same structural problem. Their responses differ not only in terms of exposure levels but also in terms of geopolitical stances, relationships with Washington, and opinions on how to handle a situation that puts the United States, their biggest trading partner and security patron, at odds with the nation in charge of their energy supply.

Japan's response was to lean into its alliance framework while simultaneously accelerating domestic alternatives. The U.S.-Japan energy partnership deepened through Alaskan oil development joint ventures and LNG export capacity expansion targeting Pacific markets (Discovery Alert, 2026). Japan initiated record-breaking releases from its state oil reserves and lifted restrictions on coal generation to allow older plants to operate at higher capacity (The Conversation, 2026). This was a politically painful but strategically coherent choice: accept short-term costs within an alliance framework rather than seek accommodations with Tehran that might complicate the broader bilateral relationship with Washington. For a country that had spent decades building energy security through strategic reserve accumulation precisely for this scenario, the activation of those reserves was expected. What was less expected was the speed with which it accelerated discussions about nuclear reactor restarts – a policy that had been politically paralyzed since Fukushima(U.S. Energy Information Administration, 2026).

South Korea followed a broadly similar trajectory, but with more explicit market stabilisation measures. Seoul moved to activate a roughly $68 billion market-stabilization programme in response to war-related volatility (World Economic Forum, 2026, p. 4). This was a substantial fiscal commitment that signalled both the severity of the shock and South Korea's determination to prevent energy prices from triggering a broader economic

contraction. Like Japan, South Korea's alignment with the U.S.-led security architecture constrained its room for maneuver with Tehran, but it actively pursued diversification toward Australian and U.S. LNG supplies (Procurement Magazine, 2026).

China's strategy was qualitatively different, and it is here that the most significant long-term implications for international economic relations emerge. Beijing occupied a structurally privileged position: several ships passed the strait during the conflict, mostly petroleum ships bound for China and India, suggesting that Iran was selectively granting passage in ways that reflected its existing commercial and political relationships(Arab Reform Initiative, 2026). Chinese-flagged vessels appear to have been among the few still transiting, suggesting that Beijing sought to carve out a protected corridor even as Western shipping retreated (Atlas Institute for International Affairs, 2026, p. 7). This was more than just an economic benefit; it was proof that China's strategy of preserving commercial relations with Iran despite pressure from the West had produced a tangible strategic benefit just at the point of greatest disruption.

## 5. Structural Consequences and the New Energy Politics

The Hormuz blockade accelerated structural shifts in the international political economy of energy that are likely to endure well beyond any diplomatic resolution.

The most immediate consequence is a serious reconsideration of energy concentration risk. For decades, the dominant framework in international energy economics held that diversification was best pursued through supplier diversification, importing from multiple countries rather than relying on a single producer. The Hormuz crisis revealed the inadequacy of this framework. The problem was never about supplier concentration alone; it was about route concentration. Diversifying suppliers is wholly insufficient if all routes converge at one chokepoint. For Qatar's liquefied natural gas exports, there are currently no viable alternative routes, making the Strait of Hormuz a critical single point of failure for global energy markets, with no existing infrastructure capable of matching the volume transported through it (International Energy Agency, 2026). A supply chain diversified across Saudi Arabia, Iraq, Kuwait, and the UAE is functionally undiversified if all those flows converge on a single 21-mile passage.

This realization is already reshaping investment decisions. Japan's accelerated push toward renewable energy deployment and nuclear restarts, South Korea's planned restructuring of its petrochemical industry toward high-performance materials less dependent on Middle Eastern feedstocks, and China's continued expansion of overland pipeline capacity from Russia and Central Asia – all represent responses to the same underlying structural lesson (Blooming Global, 2026, p. 4).

The second, more geopolitically significant consequence concerns the reconfiguration of the relationship between energy security and alliance politics. The Hormuz crisis placed Japan and South Korea in a painful bind: their security dependency on the United States pulled them away from the diplomatic engagement with Iran that their energy dependency recommended. China, on the other hand, did not encounter this paradox. Long regarded in Washington as a barrier to sanctions enforcement, its independent foreign policy stance proved to be a first-rate asset for energy security. The crisis reshaped regional influence patterns, with China's engagement with Tehran yielding tangible benefits in terms of access to critical energy routes (Discovery Alert, 2026).

## 6. Conclusion

The Strait of Hormuz crisis was a crisis of structural dependence – and it was one that had been building for decades. China, Japan, and South Korea were its primary victims not by accident, but because of choices embedded in their development models: choices to build energy-intensive manufacturing export economies powered overwhelmingly by imported hydrocarbons routed through a single maritime chokepoint. The blockade did not create these vulnerabilities; it simply made them impossible to ignore.

What distinguishes this crisis from previous Hormuz scares is that it moved from theoretical risk to concrete shock. Oil markets had long priced the Hormuz disruption as a tail risk. The policy frameworks that had been designed for a hypothetical disruption were suddenly operating in real time, with real consequences for real economies.

The responses of China, Japan, and South Korea to this shock tell us something important about how international economic relations will evolve in an era of more frequent and more severe geopolitical disruptions. Japan and South Korea, anchored to the U.S.-led security architecture, absorbed the shock through reserves, demand reduction, and accelerated diversification. China leveraged its independent diplomatic posture to secure preferential access even as Western shipping withdrew. After this crisis, all three will have a completely different perspective on energy security, one that prioritizes diplomatic flexibility, strategic autonomy, and route diversification in addition to the traditional instruments of reserve accumulation and supplier diversification.

The Strait of Hormuz is twenty-one miles wide. Recently, those twenty-one miles held the global economy to ransom. For the three largest economies of Northeast Asia, that lesson will not be forgotten quickly.

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