Hormuz Crisis: Economic & Security Risks

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The Disruption of the Strait of Hormuz: Economic and Security Implications

The Strait of Hormuz is not just a passageway, but one of the world's key centres of international maritime trade. Located between Iran, the United Arab Emirates (UAE) and Oman, this 33-kilometre stretch of sea links the Persian Gulf, the Gulf of Oman and the Indian Ocean. Following the outbreak of the war between Iran, Israel and the US, Iran decided to close the strait to trade. Today, this passage has become a bottleneck, with only a few

ships permitted to cross with special authorisation from Iran. Amid rising tensions involving Iran and increasing military risks in the Gulf, disruption to the strait would have major economic and security consequences. This article will explore the extent to which the disruption of the Strait of Hormuz has affected economic stability and security dynamics within the MENA region and the world order.

A Massive Energy Crisis

To understand the extent of the crisis, consider the following figures which illustrate the importance of the Strait for international trade. According to the US Energy Information Administration (EIA), around 20 million barrels of oil will cross the Strait each day in 2025, representing 20 per cent of global oil and gas consumption. The EIA estimates that this energy trade is worth $600 billion. Most of these exports come from Iran and Gulf states such as Saudi Arabia, Kuwait, Qatar and the UAE.

However, following the 2026 Middle East war, Iran decided to close the Ormuz strait as a response to the conflict. Yet, the Producing countries in the Middle East are attempting to bypass the closure of the Strait of Hormuz through pipelines, but their capacity to absorb 20 million barrels of oil per day is limited. This exacerbates the direct threat posed by the crisis to production infrastructure, which is vulnerable to attack, and blocks the vital revenue needed to fund their national economies. This crisis acts as an endless loop and profoundly disrupts international oil trade.

This disruption has mostly had a direct impact on Asia because 90 per cent of the energy traded through this strait is destined for Asian countries. For example, China, which is Iran's largest customer for oil, has been severely affected by the crisis, with fuel prices increasing by 20 per cent. Further south, the Philippines declared a state of national emergency due to the immediate threat to the stability and availability of its energy supply. The strait's closure forced India to slow down some of its industrial productions due to a rapid domestic inflation of energy prices. In the face of an expected shortage, some Asian governments have introduced strict measures to reduce energy consumption. For example, they are reorganising working hours by encouraging remote working and shortening the working week to reduce office and transport usage. Some countries have even introduced exceptional national holidays, closed universities, and limited air conditioning and electricity usage nationwide. However, these measures have had little impact on alleviating the impending energy crisis.

The Knock-on Effects of the Crisis

Beyond the immediate energy shortage, the crisis is having a knock-on effect on entire sectors of the global economy. Qatar, for example, is the world's leading exporter of natural gas via the Strait of Hormuz, and its production has been blocked since the beginning of March. This has not

only cut gas supplies for heating and electricity, but also helium, which is often extracted during gas liquefaction and is essential for medical imaging (MRI scans) and the production of semiconductors. Disrupting the gas trade would also affect the production of ammonia, the basis of nitrogen fertilisers. Therefore, a gas shortage or high gas prices would endanger global food security by increasing the cost of agricultural production.

While Asia is being hit hard, Europe is also experiencing indirect effects of inflationary shocks. The global rise in oil prices is driving up the production costs of all imported goods and eroding the purchasing power of European households. This translates directly into higher grocery costs, heating bills and everyday goods costs.

Taken together, these economic shocks reveal how a single chokepoint can destabilise the entire global supply chain and set the stage for deeper geopolitical and security confrontation.

The Strait of Hormuz and Security Dynamics in MENA

Following the escalation that culminated in the 2026 Middle East war, initiated by coordinated strikes from the United States and Israel against Iran over mounting nuclear and regional security tensions, the Middle East has shifted from chronic crisis to open geopolitical confrontation. The conflict has seen extensive civilian harm in Iranian cities struck by air campaigns, prompting urgent calls from the G7 to halt attacks on civilians and protect critical infrastructure such as the Strait of Hormuz. In the Gulf, states including Qatar, the UAE, and Saudi Arabia have publicly warned of rising threats from Iran-backed militias and proxy groups operating across Iraq, Syria, Lebanon, and Yemen, signalling a widening security breach. The reopening and conditional passage of shipping through the Strait of Hormuz under Tehran's terms has done little to dispel fears of closure or mining, leaving Gulf states on high alert.

The securitisation of the Strait reflects a broader transformation in regional dynamics, whereby strategic dependence on this maritime route translates directly into vulnerability. The defence strategies of Gulf states are becoming increasingly intertwined with the security of the Strait, while the risk of miscalculation or direct confrontation is rising, particularly as non-state actors such as Hezbollah in Lebanon are aligning with Iranian interests, and the ongoing escalation linked to Gaza and Palestine is further entrenching fragmentation. The Strait of Hormuz is no longer merely a conduit for MENA economies; it is also a contested arena where geopolitical rivalries play out, thereby reshaping defence postures, alliance patterns and regional security architectures. The instability surrounding the Strait is compelling MENA states to reassess their security frameworks, demonstrating how a single chokepoint can alter the balance of power in a region already characterised by significant volatility and civilian insecurity.

Geopolitical International Responses to the Crisis

The blockade of the Strait of Hormuz has exposed contrasting reactions among major international actors. Donald Trump has urged NATO allies to take action to secure and reopen the strait, but European leaders have shown reluctance, favoring diplomatic and multilateral approaches over direct military involvement. At the same time, China has adopted a cautious stance despite its close ties with Iran, prioritising energy security and stability while avoiding escalation. Overall, these responses highlight a fragmented international landscape, where strategic interests and risk management prevail over a coordinated global response.

Conclusion

The Hormuz crisis exposed the vulnerability of our globalised economic system. What started as a blockade of the Strait of Hormuz evolved into a major energy crisis, threatening food security and leading to significant global price inflation in Asia and Europe. This demonstrates how a single strait can paralyse a significant part of the global economy in just a few weeks.

However, the crisis is not just economic. The blockade has also triggered a significant shift in security dynamics within the MENA region. Indeed, the Gulf states have had to strengthen their defences and acknowledge the growing influence of non-state actors aligned with Iranian interests. The real challenge here is not to secure the Strait, but to ensure freedom of navigation along the 1,500 kilometres of maritime trade routes located around Iranian territory. Thus, the Strait has become the scene of an asymmetric war, with Iran's small navy reducing daily traffic from 100 crossings to just four.

The international response is also deeply fractured. While the US is pushing for military action, the EU is trying diplomacy and China is trying to protect its energy security. There is no predominant strategy for resolving this issue. From the Gulf States' perspective, the US's failure to protect regional stability has been exposed. On the other hand, Europe has realised the urgent need to develop an autonomous defence and a stronger strategic position. Caught between Iran's geopolitical ambitions and the world's urgent need for energy, the country is waiting for stability to return. This can only occur with the complete opening and securing of the Strait of Hormuz. Without this, the measures implemented by some governments will only be temporary and superficial solutions that hide the threat of a long-term global economic recession.