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THE STRAIT OF HORMUZ CRISIS: CAN THIS CHOKEPOINT SHAKE SOUTHEAST ASIA?

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Abstract: **The Strait of Hormuz is a narrow maritime passage with consequences that extend far beyond the Persian Gulf. The 2026 disruption has demonstrated how a regional security crisis can transmit through energy markets, shipping, insurance, manufacturing inputs, public budgets and household costs in Southeast Asia. This conceptual review examines the channels through which instability at Hormuz can affect ASEAN economies, while recognising that exposure differs across countries according to import dependence, domestic production, refining capacity, storage, fiscal space and maritime connectivity. Drawing on recent assessments by the International Energy Agency (IEA), the ASEAN Centre for Energy (ACE), ASEAN institutions and maritime authorities, the paper argues that the crisis is not simply an oil-price event. It is a compound resilience shock that can affect crude oil, liquefied natural gas, liquefied petroleum gas, petrochemical feedstocks, freight and supply-chain reliability at the same time. The paper develops a five-dimensional framework for understanding regional vulnerability: physical supply, market and logistics transmission, macroeconomic and fiscal effects, maritime-security exposure, and institutional coordination. It concludes that short-term subsidies and emergency procurement may cushion immediate hardship but cannot substitute for diversified energy systems, strategic stocks, transparent contingency planning and practical ASEAN cooperation. The central question is therefore not whether Hormuz can shake Southeast Asia, but whether the region can convert this shock into durable energy and economic resilience.**

Keywords: **Strait of Hormuz; Southeast Asia; ASEAN; energy security; maritime chokepoints; oil and LNG; supply chains; geopolitical risk.**

I. INTRODUCTION

The Strait of Hormuz is one of the world's most consequential maritime chokepoints. Connecting the Persian Gulf to the Gulf of Oman and the wider Indian Ocean, it carries a substantial share of internationally traded oil and liquefied natural gas (LNG). Its strategic significance arises from the concentration of energy exports through a narrow passage for which alternative routes are limited, costly or capacity-constrained. A crisis in this waterway can therefore affect distant economies even when they are not parties to the conflict.

For Southeast Asia, the issue is particularly important because economic growth, urbanisation, industrialisation and rising living standards have increased demand for transport fuels, electricity, cooking gas and petrochemical products.

Many ASEAN economies rely on imported crude oil, refined products or gas, while regional refineries and manufacturers are connected to global feedstock and shipping markets. The International Energy Agency (IEA, 2026a) reports that the Middle East accounted for around 60 per cent of Southeast Asia's crude oil imports before the crisis, while nearly half of the region's oil products were refined from Middle Eastern crude. The ASEAN Economic Community Council similarly warned that disruption around Hormuz threatened energy security, freight costs, logistics networks, food security and regional growth (ASEAN, 2026).

The 2026 crisis has moved the issue from hypothetical risk to practical stress test. The IEA's Southeast Asia Energy Outlook 2026 describes a major disruption to energy shipments through Hormuz and identifies shortages and cost pressures in petrochemical feedstocks, chemical products and liquefied petroleum gas (LPG). The ASEAN Centre for Energy's October 2026 briefing, Beyond the Strait of Hormuz, argues that the crisis has tested existing arrangements for shipping, crude and LNG flows, refined-product markets, stockpiling and regional coordination (ACE, 2026).

This paper asks: Can the Strait of Hormuz crisis shake Southeast Asia? It answers yes, but not uniformly and not only through the price of crude oil. The impact depends on the structure of national energy systems, the ability to secure alternative supplies, the resilience of ports and shipping networks, and the capacity of governments to protect vulnerable households without destabilising public finances. The paper offers a conceptual and policy-oriented review rather than an econometric estimate of losses.

II. CONCEPTUALISING THE STRAIT AS A SYSTEMIC CHOKEPOINT

A maritime chokepoint becomes systemically important when a large volume of essential trade is concentrated in a geographically constrained route and when substitute routes cannot absorb a sudden diversion. The resulting vulnerability is shaped by more than the volume of cargo passing through the strait. It also reflects the substitutability of suppliers, the availability of vessels, the location of refineries and storage facilities, the cost of insurance, the time required to reroute cargoes, and the sensitivity of downstream industries to delayed inputs.

The Hormuz crisis illustrates the difference between physical interruption and market disruption. Even where cargoes continue to move, threats to vessels, uncertainty over safe passage, higher war-risk premiums, longer voyages and competition for tankers can increase delivered prices. Reuters reported in October 2026 that heightened tanker attacks and freight costs were prompting Asian refiners to use smaller tankers, secure longer-term charters and purchase some crude on a delivered basis. The report also described a large number of very large crude carriers tied up in the region and sharply higher shipping costs to Asia (Reuters, 2026a). These adjustments show that supply-chain friction can persist beyond the immediate geography of the crisis.

The crisis should consequently be analysed as a compound shock. It can simultaneously affect the physical availability of energy, the price and timing of deliveries, the cost of maritime transport, the availability of industrial feedstocks and the fiscal burden of government intervention. These channels reinforce one another. Higher oil prices can increase inflation; expensive freight can raise the cost of imported food and manufactured goods; reduced feedstock availability can constrain production; and subsidies can absorb resources that might otherwise fund infrastructure, health, education or energy transition.

III. SOUTHEAST ASIA'S EXPOSURE: DIFFERENT COUNTRIES, DIFFERENT RISKS

Regional exposure is significant but heterogeneous. Net energy importers are generally more vulnerable to a sustained increase in import prices or a physical shortage. Countries with domestic oil and gas production may have greater supply options, but production does not guarantee insulation: crude grades may not match refinery requirements, domestic output may be committed to existing contracts, and producers can remain exposed to international prices, shipping insurance and imported refined products.

The IEA (2026a) estimates that the Middle East supplied around 60 per cent of Southeast Asia's crude oil imports and approximately one-third of its gas imports before the crisis. It also notes that around 45 per cent of the region's oil-product supply depended on Middle Eastern crude. The IEA highlights a particular vulnerability in refinery configuration: many Southeast Asian refineries are designed to process medium and heavy Gulf crude, limiting the speed with which they can switch to other grades. A loss of feedstock can therefore reduce refinery utilisation and output even if alternative crude is available in the global market.

The Philippines illustrates the vulnerability of an import-dependent economy facing fuel-price pressure and limited domestic production. Reuters reported in October 2026 that ASEAN energy ministers were prioritising petroleum-security arrangements as the conflict raised concern about the region's exposure to Middle Eastern supplies. The report cited an ASEAN Centre for Energy assessment that a severe disruption could put oil volumes equivalent to nearly 28 per cent of ASEAN final oil consumption at risk, while inadequate storage remains an obstacle to effective regional stockpiling (Reuters, 2026b).

Malaysia presents a more complex profile. It is an oil and gas producer and a significant LNG exporter, but it is not wholly insulated from international price and supply shocks. Domestic production, import requirements, refinery needs and export commitments can coexist. Malaysia may therefore experience a mixed outcome: some upstream revenues can rise with global prices, while consumers, transport operators, manufacturers and government subsidy budgets face higher costs. The lesson is that producer status is not the same as energy independence.

Indonesia, Thailand, Vietnam and Singapore also face distinct combinations of exposure. Indonesia's domestic resource base offers options, but geography, refining capacity and distribution across an archipelago complicate the movement of fuels. Thailand and Vietnam remain exposed to imported crude, refined products or gas, while their industrial sectors are sensitive to energy costs. Singapore's role as a major refining, trading, bunkering and shipping hub creates exposure through commercial flows, freight, insurance and maritime services, even though its strategic capabilities and diversified sourcing differ from those of smaller import-dependent economies. Cambodia, Laos, Myanmar and Brunei have different energy mixes and infrastructure constraints, underscoring why a single ASEAN-wide vulnerability ranking would be misleading without country-level data.

The key analytical point is that the same shock can create different winners and losers within each economy. Producers may benefit from higher export prices, while households and energy-intensive firms pay more. Refiners may face higher feedstock and freight costs even when product prices rise. Governments may collect additional resource-related revenue but spend more on subsidies and emergency support. Policy must therefore identify both national exposure and distributional consequences.

IV. HOW THE CRISIS TRANSMITS THROUGH THE ECONOMY

A. Oil, refined products and transport

The most visible transmission channel is crude oil. Higher benchmark prices affect petrol, diesel, aviation fuel, marine fuel and transport costs. The pass-through to consumers depends on pricing formulas, taxes, subsidies, exchange rates and the extent to which firms absorb higher costs. Where retail prices are regulated, the shock may first appear in government expenditure or losses at state-linked companies before reaching households. Where prices adjust rapidly, consumers face an immediate reduction in purchasing power.

Transport workers, small logistics operators, fishermen, farmers and public-transport providers can be particularly exposed because fuel is a large share of operating costs and their ability to pass costs to customers is limited. Higher diesel prices can also raise the cost of moving food from farms and ports to markets, increasing the risk that an energy shock becomes a food-affordability problem.

B. LNG, LPG and electricity

The crisis is not confined to oil. LNG supply constraints can raise the cost of gas-fired electricity and industrial heat, particularly where power systems depend on imported gas. The IEA (2026a) reports that the disruption tightened global LNG markets and increased the cost of gas-fired generation, with some markets responding through fuel switching, including towards coal. This can create a difficult trade-off between short-term energy affordability, electricity reliability and emissions objectives.

LPG is especially important for households and small businesses that use it for cooking. The IEA notes that LPG is used by a large share of the region's population and that the crisis contributed to shortages of this fuel in some markets. A shortage or price increase can affect household budgets, food vendors and small restaurants. Because cooking fuel is a basic necessity, the distributional effects can be regressive unless governments target support to lower-income households.

C. Petrochemicals, manufacturing and supply chains

Crude oil and gas are also inputs into petrochemicals, fertilisers, plastics, synthetic fibres, solvents and numerous industrial materials. Shortages of naphtha and other feedstocks can affect manufacturing well beyond the energy sector. The IEA identifies naphtha and chemical products among the supplies affected by the crisis. Downstream effects may appear in packaging, textiles, automotive components, construction materials, electronics and agriculture.

The supply-chain effect is amplified when firms rely on just-in-time inventories and concentrated suppliers. A delayed cargo can force production rescheduling, the use of more expensive substitutes or temporary shutdowns. Small and medium-

sized enterprises may have less bargaining power and less working capital than large corporations, making them more vulnerable to sudden increases in input prices and delivery times. ASEAN's April 2026 statement explicitly recognised that the Middle East situation was affecting MSMEs, transport and logistics networks, food security and business confidence (ASEAN, 2026).

D. Inflation, currencies and public finance

An energy-import shock can worsen the current account by increasing the value of imports. If investors become more risk-averse, currencies may weaken, raising the local-currency cost of oil, gas and other imported inputs. Monetary authorities then face a difficult choice: tolerate some inflation to support growth or tighten financial conditions and risk slowing domestic demand. The final outcome depends on the duration of disruption, exchange-rate movements, domestic demand and the credibility of macroeconomic institutions.

Subsidies and price controls can cushion households, but broad and untargeted support is expensive and may weaken incentives to conserve energy. The IEA (2026a) notes that fossil-fuel subsidies in the region were already substantial before the crisis and were expected to rise sharply in 2026. Fiscal space is not unlimited. Governments must balance immediate relief with investment in storage, grids, public transport, renewable energy and social protection. Targeted cash transfers and time-limited support are generally more fiscally transparent than universal price suppression, provided beneficiary systems can identify households and deliver assistance quickly.

V. MARITIME SECURITY AND THE WIDER STRATEGIC CONSEQUENCES

Hormuz is also a test of maritime security and international law. The International Maritime Organization (IMO, 2026) has reported serious concerns for seafarers and vessels affected by the regional instability, including crews unable to leave the area safely. The human consequences of a chokepoint crisis must not be reduced to freight rates and energy prices: seafarer safety, vessel integrity, freedom of navigation and the protection of civilian maritime activity are central concerns.

For Southeast Asia, the crisis carries a strategic lesson about the vulnerability of sea lanes. Brookings' analysis of the regional fallout argues that weaponisation of a strategic waterway raises concerns for Asian chokepoints, including the Strait of Malacca, the Luzon Strait and the Taiwan Strait, as well as Indonesian archipelagic waters (Kuok, 2026). These waterways are not interchangeable with Hormuz, and their legal, geographic and security contexts differ. Nevertheless, the precedent of disruption at a major maritime corridor reinforces the importance of navigation rights, maritime domain awareness, crisis communication and regional confidence-building.

Singapore's maritime exposure became tangible when Reuters reported that two Singapore-registered container vessels were struck while transiting Hormuz in October 2026, with one vessel sinking after catching fire and the other sustaining hull damage (Reuters, 2026c). This incident demonstrates that Southeast Asian commercial interests and crews can be directly affected by distant conflicts. It also raises questions about flag-state responsibilities, shipowner risk management, insurance, crew welfare and the availability of reliable incident information.

The legal framework is equally important. ASEAN's April 2026 statement emphasised secure and open sea lanes, freedom of navigation and safe, unimpeded transit passage in straits used for international navigation, consistent with the United Nations Convention on the Law of the Sea (UNCLOS) (ASEAN, 2026). For Southeast Asian states, consistent advocacy for international law is not merely diplomatic language; it protects the predictability of trade routes on which the region's prosperity depends.

VI. ASEAN'S RESPONSE: FROM DECLARATIONS TO OPERATIONAL RESILIENCE

ASEAN has recognised the economic implications of the Middle East crisis. The ASEAN Economic Community Council's special statement of 30 April 2026 linked Hormuz disruption to global energy security, oil and LNG price volatility, freight and insurance costs, inflation, exchange-rate volatility, food security and business uncertainty. The October 2026 ASEAN Centre for Energy briefing calls for resilience stress testing to identify critical vulnerabilities, assess compound disruptions and test response mechanisms (ACE, 2026). These initiatives provide a basis for moving from general commitments to measurable preparedness.

The ASEAN Framework Agreement on Petroleum Security (APSA) offers a regional platform for cooperation, but its practical value depends on national inventories, clear activation criteria, reliable data, compatible procedures and credible commitments to share information and assistance. Reuters' October 2026 reporting notes that insufficient storage and

inventories remain important barriers and that regional stockpiling initiatives are more useful for preparing for future shocks than for resolving an immediate shortage (Reuters, 2026b).

Regional electricity integration can also reduce vulnerability. The ASEAN Power Grid can support cross-border balancing, improve system flexibility and facilitate renewable energy trade. However, power interconnection does not directly replace imported liquid fuels used in road transport, aviation, shipping and petrochemicals. It should be treated as one part of a wider resilience strategy rather than a complete solution.

ASEAN cooperation should also include shared procurement information, coordinated demand management, emergency shipping and port protocols, transparent reporting of fuel stocks, and support for vulnerable economies. Cooperation need not mean that every country holds identical reserves or follows identical policies. It means that national systems can communicate, coordinate and assist one another when supply disruption crosses borders.

VII. A FIVE-DIMENSIONAL FRAMEWORK FOR HORMUZ RESILIENCE

This review proposes a five-dimensional framework to assess whether Southeast Asia can withstand future chokepoint shocks:

1. Physical supply resilience. Measure the diversity of crude, LNG, LPG and refined-product suppliers; the ability to substitute crude grades; domestic production reliability; and the availability of alternative import routes and terminals.

2. Logistics and market resilience. Assess port capacity, tanker availability, shipping contracts, insurance exposure, storage access, inventory turnover and the time required to reroute cargoes. Stress tests should include simultaneous disruption to shipping, ports and refining.

3. Macroeconomic and social resilience. Evaluate the fiscal cost of subsidies, foreign-exchange exposure, inflation pass-through, household energy burdens and the ability to provide targeted support to low-income groups and vulnerable firms.

4. Maritime and legal resilience. Strengthen maritime domain awareness, incident reporting, seafarer protection, crisis communication and consistent support for international law and freedom of navigation.

5. Institutional and regional resilience. Test the operational readiness of APSA and related mechanisms, clarify decision-making authority, improve data-sharing, conduct joint exercises and link emergency response to long-term energy transition plans.

The framework is designed to prevent a narrow focus on national oil stocks from obscuring wider system dependencies.

A country may have sufficient crude inventories but still face shortages of a particular refined product, limited tanker access, high insurance costs or inadequate distribution capacity. Likewise, a diversified electricity mix may coexist with high dependence on imported aviation fuel, diesel or petrochemical feedstocks. Resilience should therefore be measured across the full energy and logistics chain.

VIII. POLICY PRIORITIES FOR SOUTHEAST ASIA

First, governments should publish credible and comparable data on strategic and commercial inventories, subject to legitimate security safeguards. Transparent data improves market confidence and helps policymakers distinguish a physical shortage from a temporary price spike. Emergency release protocols should specify who can authorise releases, how products are allocated and how replenishment will occur.

Second, supplier and route diversification should be accelerated. Diversification does not mean replacing one dependency with another concentrated dependency. It requires a portfolio of crude grades, LNG sources, refined-product suppliers, contracts and transport routes. Refinery flexibility should be assessed realistically, including technical limits, quality requirements and the cost of modifying facilities.

Third, energy efficiency and electrification should be treated as security policies. Public transport, efficient freight, electric mobility, building efficiency and industrial process improvements reduce exposure to volatile imported fuels. Renewable electricity, storage and stronger grids can reduce gas and coal requirements over time. The IEA (2026a) estimates that investment in renewables, electrification and efficiency has already moderated growth in fossil-fuel import requirements in the region.

Fourth, governments should design social protection before the next crisis. Targeted cash transfers, temporary assistance for essential public transport and carefully designed support for small businesses can protect vulnerable groups without subsidising all consumption. Relief should have transparent eligibility rules, sunset clauses and public reporting.

Fifth, ASEAN should move from ad hoc meetings to regular regional stress tests. Scenarios should include partial and prolonged closure of Hormuz, simultaneous disruption in the Red Sea, cyber incidents affecting ports, tanker shortages, LNG market tightening and extreme weather affecting domestic generation. Exercises should test not only policy statements but also procurement, logistics, data exchange, emergency finance and communication with the public.

Finally, regional governments should maintain a principled maritime position. The security of international sea lanes is a shared public good. ASEAN members should consistently support UNCLOS, the safety of seafarers, peaceful dispute settlement and practical maritime cooperation. This position strengthens the credibility of Southeast Asian states when their own vital straits and archipelagic waters become the focus of geopolitical competition.

IX. CONCLUSION

The Strait of Hormuz crisis can shake Southeast Asia because the region is deeply connected to Middle Eastern energy supplies and to global maritime, financial and manufacturing networks. Its effects are transmitted through more than crude oil: LNG, LPG, petrochemical feedstocks, freight, insurance, exchange rates, food logistics and public budgets are all exposed. The crisis has also shown that a distant conflict can directly endanger Southeast Asian-registered ships and seafarers.

Yet the scale of disruption is not predetermined. National outcomes depend on import dependence, domestic production, refinery flexibility, inventories, fiscal capacity, supplier diversity and the ability to coordinate regionally. Producer economies are not immune, and import-dependent economies are not without policy options. The decisive issue is whether governments can move beyond short-term price management towards systemic preparedness.

ASEAN has acknowledged the threat and has existing frameworks that can be strengthened. The next step is implementation: reliable stock data, operational emergency arrangements, regional stress testing, diversified supply, more flexible infrastructure, targeted social protection and faster deployment of efficient and low-carbon energy. Hormuz should be understood not only as a geopolitical chokepoint but as a warning about concentrated dependencies. Southeast Asia cannot control events in the Persian Gulf, but it can reduce the extent to which those events determine the affordability, reliability and security of energy at home.

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