



MISSION IMPOSSIBLE? INDO-PACIFIC ECONOMIC AND ENERGY SECURITY COOPERATION

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The recent attacks by Israel and the United States on Iran's clandestine nuclear facilities have had a detrimental effect on the economic and energy security of the Indo-Pacific region. The Iranian Parliament [recommended](#) to the Supreme National Security Council, chaired by Supreme Leader Ali Khamenei, to close the Strait of Hormuz, a limited passageway that is responsible for [20% of global oil shipments](#). The dependence of major Indo-Pacific economies on oil trade that traverses the Strait of Hormuz is not trivial. In 2025, approximately 80% of Japan's, 60% of South Korea's, 37% of India's, and 38% of China's oil imports are sourced from the Persian Gulf, which is traversed by the Strait of Hormuz. [Recent statistics indicate](#) that 84% of crude oil shipments and 83% of natural gas trade passing through the Strait of Hormuz are directed towards Asian markets.

Israel and the US' attacks positioned global and regional actors in a precarious state. While the closure of the Strait may [not align with Iran's interests](#),

alternative asymmetric warfare strategies could pose a considerable threat to the interests of major economies in the Indo-Pacific region, and Iran could use this as a bargaining chip.

Navigation is subject to electronic interference through GPS jamming, which can significantly disrupt maritime trade. During the 12 days of conflict, significant [jamming originated from the Iranian port of Bandar Abbas](#), affecting not only the Strait of Hormuz but also ports throughout the Gulf, including those in the United Arab Emirates and Qatar. The situation led to atypical navigation patterns among cargo vessels in the narrow passage of the Strait of Hormuz, prompting ships to execute U-turns due to disorientation. [Two vessels collided](#) near the coast of Khor Fakkan port in the UAE. Jamming may lead to vessels intruding into Iran's territorial waters, which Tehran could exploit as leverage.

Alternative measures include the seizure of vessels, a practice that occurred frequently prior to the 12-day war between Iran and Israel. In November 2024, Iranian authorities [confiscated the Marshall Islands-based oil tanker St. Nikolas](#). Iran viewed it as a retaliatory action against the US for the prior appropriation of Iranian oil. Despite the end of the direct conflict between Israel and Iran, oil shipment through the primary maritime chokepoint in the Strait of Hormuz remains vulnerable. Trade between Europe and the Indo-Pacific has suffered significant losses as well since October 2023 due to the activities of Ansar Allah, the military wing of the Houthi movement, which has prevented freedom of navigation in the Bab al-Mandeb Strait.

Another negative consequence of any disruption of oil shipments could be the sudden price increase, which can slow down the GDP growth as well as create inflation. According to one estimate, if the oil price were to spike to around \$120 or \$130, this would mean [a 0.6% loss in the predicted GDP](#) for Japan in 2026.

Indo-Pacific states have distinct stances on the potential for mitigating security risks and dependency on the Strait of Hormuz. Any approach [may](#)

[incorporate a combination of the following policy elements.](#)

First, enhancing maritime governance and increasing naval military presence and deployment in the Strait of Hormuz: India has engaged in anti-piracy activities for several years in the Horn of Africa; however, its [multi-alignment strategy](#) has hindered its participation in any military actions in the Persian Gulf. [South Korea and Japan](#) have consistently engaged in naval operations in and around the Strait of Hormuz to safeguard their commercial fleets. China has [significantly invested](#) in ports such as Duqm in Oman and Khalifa Port in the UAE, and the country also engages in cooperative multinational naval exercises in the area.

Second, deeper engagement and active diplomacy with regional entities, particularly the Gulf Cooperation Council and Iran. Beijing has created the China-GCC framework as a forum to tackle shared concerns and formalized a comprehensive strategic cooperation with Iran for a duration of 25 years in 2021. US Secretary of State [Marco Rubio urged Chinese leaders](#) to advise Iran against closing the Strait of Hormuz. It presupposes that China possesses a dominant position in matters concerning Iran, likely overstating its current influence. Regarding India, the India-Middle East Economic Corridor is a potential alternative for enhanced interaction with the Gulf States; nevertheless, [investment in this corridor](#) necessitates political stability.

Third, reducing the proportion of fossil fuels in the energy mix and enhancing reliance on renewable sources. [Japan](#), being the most susceptible regarding fossil fuel imports, must expedite its investments in solar, wind, and other forms of renewable energy, which commenced following the Fukushima disaster in 2011.

Fourth, identify alternate sources of fossil fuels and/or invest in other energy corridors. India may augment [its dependence on Russia and/or the United States](#), while nations might invest in other oil pipelines; yet critical chokepoints remain interchangeable.

Collectively, none of the above approaches could offer immediate benefits; they require further time and money to mitigate the dangers. The immediate remedy is to resume the stalled nuclear negotiations between the US and Iran and to achieve an agreement, which may also provide further advantages to regional economies. Indo-Pacific countries can engage in mediation and conflict management, which helps to consolidate the situation however this is no magical bullet to inculcate stability into their economies and maximize their economic security.

As part of this engagement, the Indo-Pacific region must deploy economic and diplomatic tools to prevent cascading energy insecurity from destabilizing the global economy. It must inclusive, requiring the cooperation of US, Japan, South Korea, India, ASEAN and China.

China possesses the most significant stabilization capacity through its [Strategic Petroleum Reserve](#) of approximately 531 million barrels. Beijing's immediate release of 100-150 million barrels could dampen price spikes while demonstrating responsible stakeholder behavior. China's existing energy relationships with Russia and Central Asia provide alternative supply routes via overland pipelines, reducing reliance on maritime chokepoints. However, Beijing must balance energy security imperatives against its Iranian diplomatic relationships.

Japan in contrast can leverage its sophisticated LNG infrastructure and [90-to-145-day strategic reserve](#) to maintain regional stability. Tokyo should immediately activate swap agreements with Australia and Qatar while accelerating renewable energy deployment. Japan's advanced refining capacity could process heavier crude grades from alternative suppliers, providing regional flexibility.

India's current government [SPR sites](#) (Visakhapatnam, Mangaluru, Padur) offer a combined capacity of 5.33 million metric tons (MMT), equal to about 9–10 days of domestic crude demand.

Delhi must immediately pursue rupee-denominated arrangements with Russia and UAE while leveraging International North-South Transport Corridor for

Iranian-independent energy flows. India's refining overcapacity could serve regional markets if crude supplies are secured.

ASEAN nations should collectively activate the [ASEAN Petroleum Security Agreement](#), pooling strategic reserves and coordinating demand reduction measures. Singapore's refining hub and Indonesia's domestic production provide limited regional buffers. Thailand and Philippines must accelerate renewable transitions to reduce medium-term vulnerability.

South Korea can deploy its [95-to-106-day strategic reserve](#) while leveraging advanced petrochemical facilities to maximize efficiency. Seoul should coordinate with Tokyo on joint procurement strategies and explore expanded Canadian and US LNG imports.

Lastly, the US could immediately release SPR volumes while accelerating export permits for LNG and crude to Indo-Pacific allies. Reactivation of mothballed shale production could offset Iranian supply within 90-120 days. Washington should provide naval escorts for tanker traffic through alternative routes.

A coordinated response framework could be established as an emergency energy coordination mechanism. This initiative could synchronize SPR releases to coordinated drawdowns preventing competitive hoarding. Joint procurement initiatives could be leveraged for collective bargaining with alternative suppliers. Shipping route diversification could secure corridors via the Cape of Good Hope and expanded pipeline capacity to avoid the Strait of Hormuz and the Red Sea, where proxies of Iran could be active. Demand management protocols could stagger industrial shutdowns and consumption reduction targets and financial stabilization tools: such as currency swap expansions preventing balance-of-payment crises.

While not without difficulty given the current state of US-China strategic competition, several strategic recommendations may stabilize energy security in the region. These may include but are not exclusive to **first** establishing a temporary or semi-permanent Energy Security Board with real-time coordination

capabilities; **second**, creating a regional strategic reserve sharing agreements with pre-negotiated release triggers; **third**, accelerating renewable energy investments reducing long-term Middle East dependence; **fourth**, developing alternative payment mechanisms circumventing potential SWIFT restrictions. Fifth, strengthening naval cooperation securing Indian Ocean sea lanes.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged.