



Shockwaves from the Strait: An Analysis of the Global Economic Fallout of the West Asian Crisis

Siva Kumar V

Ph.D. Research Fellow, Department of Politics and Public Administration, IDE, University of Madras, Chennai-600 005, Tamil Nadu, India.

Dr. R. Mathaiyan

Professor, Department of Politics and Public Administration, IDE, University of Madras, Chennai- 600 005, Tamil Nadu, India.

DOI : <https://doi.org/10.5281/zenodo.19491812>

ARTICLE DETAILS

Research Paper

Accepted: 20-03-2026

Published: 10-04-2026

Keywords:

Iran War 2026, Strait of Hormuz, global energy crisis, oil price shock, stagflation, food security, geopolitical risk, global economy.

ABSTRACT

The 2026 Iran War, initiated on February 28, 2026, through joint US-Israeli airstrikes, represents one of the most consequential geopolitical events of the twenty-first century for the global economy. By triggering the effective closure of the Strait of Hormuz, a maritime chokepoint through which approximately 20 million barrels of oil and over one-fifth of global liquefied natural gas (LNG) trade pass daily, the conflict has unleashed a cascade of economic shocks across energy markets, financial systems, food supply chains, and industrial networks worldwide. The International Energy Agency (IEA) has characterized the disruption as the 'greatest global energy security challenge in history.' This paper provides a comprehensive analysis of the war's multidimensional economic impacts, examining its effects on oil and gas markets, global inflation and monetary policy, financial markets, food and fertilizer security, regional economies in Asia and Europe, and the broader threat of stagflation. The paper concludes with an assessment of the way forward, outlining policy responses, structural reforms, and the long-term geoeconomic realignments the conflict is likely to accelerate.



1. Introduction

On February 28, 2026, United States and Israeli forces launched a coordinated military campaign against Iran, codenamed 'Operation Epic Fury,' targeting Iranian leadership, nuclear infrastructure, and military facilities. The operation included the assassination of Supreme Leader Ali Khamenei and ignited a regional conflagration that rapidly evolved into a global economic emergency. Iran retaliated with drone and missile strikes against US bases in Qatar, Bahrain, and the United Arab Emirates, and crucially, declared the Strait of Hormuz, the world's most strategically vital maritime chokepoint effectively closed to commercial shipping.

The Strait of Hormuz, a narrow passage between Iran and Oman, is not merely an oil transit route. It is the arterial system of global energy supply. In 2024, approximately 20 million barrels per day of crude oil and petroleum products moved through it, representing roughly 27% of global maritime oil trade and 20% of world petroleum liquids consumption. The strait also carries roughly one-fifth of global LNG trade. Since the opening strikes, commercial traffic has been severely disrupted; insurers, shipowners, and energy traders now regard it as functionally impaired (US Energy Information Administration [EIA], cited in World Economic Forum [WEF], 2026).

The economic fallout has been immediate, severe, and far-reaching. Within days, Brent crude oil prices jumped 15% and then surged toward \$120 per barrel, threatening to reach \$150 under the worst-case scenario projected by some analysts. Global stock markets fell sharply. Central banks were thrown into a dilemma between fighting inflation and supporting growth. Food supply chains that were heavily dependent on fertilizers transited through the Strait faced acute stress. An estimated 45 million additional people were put at risk of acute hunger (World Food Programme [WFP], 2026).

This paper systematically examines the economic dimensions of the 2026 Iran War, drawing on data from the IEA, International Monetary Fund (IMF), World Bank, World Food Programme, leading financial institutions, and policy research organizations. It argues that the conflict represents not merely a regional crisis but a structural shock to the world economy, arriving at a moment of exceptional fragility, an economy already battered by post-pandemic debt overhangs, US tariffs implemented in 2025, and persistent inflationary pressure.



2. Background: Iran's Economic Profile and Pre-War Conditions

Before understanding the war's global impact, it is essential to appreciate the pre-conflict economic context. Iran is an economy of approximately 90 million people, with the world's second-largest proven natural gas reserves and the fourth-largest proven oil reserves. However, years of US and international sanctions had already severely constrained Iran's economic performance. By 2025, inflation within Iran exceeded 40%, the Iranian rial had depreciated dramatically, and the country faced ongoing social unrest and economic stagnation.

Iran's central economic weapon in any conflict was always clear: its ability to threaten or disrupt the Strait of Hormuz. This threat, long theorized by strategic analysts, became operational reality within 24 hours of the initial US-Israeli strikes. Beginning March 4, 2026, Iranian forces declared the strait 'closed,' and the UK Maritime Trade Operations Centre reported at least 10 attacks on ships by March 8, 2026, with five crew members killed on two vessels (Congressional Research Service [CRS], 2026).

The timing of the conflict was particularly damaging. The world in early 2026 was navigating multiple simultaneous economic stresses: the ongoing war in Ukraine, US tariff escalations that had rattled trade in 2025, post-COVID debt overhangs in developing nations, and central banks that had only recently begun to contain inflationary pressures that began in 2021. The World Economic Forum's 2026 Global Risks Report had explicitly warned that such a confluence of stresses could be 'toxic' (WEF, 2026). The Iran War arrived precisely at that moment of vulnerability.

3. The Energy Market Shock: Oil, Gas, and the Strait of Hormuz

3.1 Oil Price Surge

The most immediate and dramatic economic consequence of the war has been in global oil markets. Before tensions escalated, Brent crude was trading at approximately \$65 per barrel. Within days of the conflict's onset, Brent jumped roughly 15% to \$83 per barrel by March 5, 2026. As the conflict deepened and Iran's strategy of targeting Gulf energy infrastructure became apparent, prices surged further to above \$110 per barrel, with some forecasts projecting \$120 to \$150 per barrel if the Strait remains impaired through the summer months (Council on Foreign Relations [CFR], 2026; WEF, 2026).

Capital Economics, in its March 9, 2026 macroeconomic report, provided scenario-based projections: in a short conflict scenario, oil prices could fall back to \$65 per barrel by year-end; in a prolonged conflict



scenario lasting several months, prices could rise to \$130 per barrel in Q2 before declining in H2 2026 (Al Jazeera, 2026). Nobel Prize-winning economist Simon Johnson of MIT warned: 'The Strait of Hormuz has to be reopened. It's 20 million barrels of oil a day going through there. There's no excess capacity anywhere in the world that can fill that gap' (PBS NewsHour, 2026).

As of March 12, 2026, Brent crude was up 39% from its pre-conflict close of February 27. Gasoline prices in the United States rose 7.5% within the first week, reaching above \$4 per gallon, the highest level since late 2023 and were projected to climb toward \$4.30 - \$4.50 per gallon in the coming months (NBC News, 2026; DePhillis, 2026).

3.2 Natural Gas and LNG Disruption

Beyond oil, the war has caused severe disruption to global LNG markets. The Strait of Hormuz carries approximately one-fifth of global LNG trade, with Qatar, which is the world's leading LNG exporter being particularly exposed. On March 2, 2026, Iranian drones attacked Qatari gas facilities at Ras Laffan, the world's largest LNG complex. Qatar Energy, the state energy firm, halted output at what is the world's largest urea manufacturing plant after gas production was shut down (Al Jazeera, 2026; Deloitte Insights, 2026).

European natural gas prices nearly doubled following this attack, with Dutch TTF gas benchmarks rising above €60/MWh by mid-March, a catastrophic development given that European gas storage levels were already at historically low levels of approximately 30% capacity, following a harsh 2025-2026 winter (IDDRI, 2026). In Asia, LNG prices surged dramatically. South Korea, which sources approximately 70% of its crude from the Middle East and routes over 95% of that through the strait, activated a 100 trillion won (approximately \$68 billion) market-stabilisation program in response to war-related volatility (WEF, 2026).

3.3 Asymmetric Energy Dependency

A fundamental asymmetry characterizes the war's energy geography. The United States, as the world's largest oil and gas producer, imports relatively little through Hormuz. In 2024, the US exported 28 quadrillion British thermal units (QBTu) of crude oil, refined petroleum products, and natural gas, and imported 21 QBTu (Resources for the Future, 2026). In contrast, more than 80% of oil and LNG shipped through the strait in 2024 went to Asian markets, with China, India, Japan, and South Korea as the primary destinations. Japan relies on the Middle East for about 90% of its crude oil imports, most of



which transits Hormuz. In fact, about 84% of the crude oil and 83% of the LNG that passed through the strait in 2024 was bound for Asia (EIA, cited in Al Jazeera, 2026).

This asymmetry means that the US which initiated the conflict bears a significantly lighter energy burden than its Asian allies and trading partners. Iran has thus effectively internationalized the costs of war, targeting energy infrastructure to raise the price of escalation and build pressure for de-escalation. As the WEF (2026) notes: 'What begins as a battlefield shock hardens into a geoeconomic one.'

4. Inflation, Monetary Policy, and the Stagflation Risk

4.1 The Inflation Transmission Mechanism

Energy price spikes do not remain confined to energy markets. Historical data and economic modelling confirm that oil price increases feed directly into the cost of transportation, manufacturing, chemicals, plastics, heating, and food production, effectively every sector of the modern economy. Economic research has established that every sustained 10% increase in oil prices adds approximately 0.3-0.4 percentage points to inflation (Iran News Wire, 2026). With oil up nearly 40% from pre-conflict levels, the inflationary impulse could add 1.0 to 1.5 percentage points to advanced economy inflation, an enormous shock for central banks already struggling to bring price levels down to their 2% targets.

In the United States, the Consumer Price Index had registered 2.4% in January 2026, comfortably near the Federal Reserve's target. Analysts at Evercore ISI calculated that if oil prices remained around \$100 per barrel, the resulting gasoline price increases would wipe out, for most Americans, the tax cut benefits from the 2025 Trump tax reform. Only the top 30% of income earners would retain a net gain (PBS NewsHour, 2026).

4.2 Central Bank Dilemmas

The war has placed global central banks in an extraordinarily difficult position. Normally, rising inflation calls for higher interest rates. But with global growth already weakening under the weight of elevated oil prices, rate hikes risk tipping economies into recession. This is the classic stagflation trap, the nightmare scenario of simultaneously high inflation and low or negative growth that haunted the 1970s.

Federal Reserve Governor Christopher Waller, who had initially planned to advocate for a rate cut at the March 2026 FOMC meeting, changed his stance due to the conflict. 'This is looking like it's going to be a much more protracted conflict, and oil prices are going to stay high for a longer time,' Waller said. 'So



that suggested inflation was more of a concern' (NBC News, 2026). Market pricing by late March showed a 50% probability of a Fed rate hike before year-end, a dramatic reversal from the prior path of monetary easing (NBC News, 2026).

The European Central Bank (ECB) postponed its planned interest rate reductions on March 19, 2026, raising its 2026 inflation forecast and cutting GDP growth projections, with economists warning that energy-intensive economies face high recession risk if the maritime blockade persists through the summer refill season. UK inflation is expected to breach 5% in 2026 (Silano, 2026). IMF Managing Director Kristalina Georgieva warned on March 9, 2026 at a symposium hosted by Japan's Ministry of Finance that 'We are seeing resilience tested again by the new conflict in the Middle East,' adding that if the war is prolonged, it poses a significant inflationary risk on the global economy (Al Jazeera, 2026).

4.3 Stagflation Risk

Economists have drawn explicit parallels to the 1970s oil shocks. Every major oil price spike in 1973, 1978-1979, and 2008 has preceded some form of global recession (Al Jazeera, 2026). MIT economist Johnson echoed these concerns: 'Their minds will easily go to the 1970s,' noting that central bankers are 'haunted by the memory that their predecessors didn't get it right' (PBS NewsHour, 2026).

Capital Economics projected that in a prolonged conflict scenario, eurozone GDP growth would slow to just 0.5% year-on-year in the second half of 2026, while Chinese economic growth could fall below 3% year-on-year. The US was projected to outperform, growing 2.25% in 2026 under the prolonged conflict scenario but even that represents a meaningful downward revision (Al Jazeera, 2026).

5. Financial Markets: Volatility, Safe Havens, and Investment Risk

Global financial markets reacted swiftly and sharply to the conflict's onset. On March 2, 2026, the Dow Jones Industrial Average fell over 400 points and the S&P 500 dropped 0.7%. European and Asian indexes declined 1–2%, reflecting fears of inflation and supply chain disruption. Japan's Nikkei fell over 2% (Lynch, 2026). Global stocks had fallen approximately 5.5% since the war began as of mid-March, with Asian stock markets being the most severely hit; the NYSE Composite Index fell 6% compared to the February 27 close, while the Nasdaq fell 2.4% (Al Jazeera, 2026).

US 10-year Treasury yields climbed to approximately 4.39%, their highest level since July, as investors sold bonds and recalibrated inflation expectations (CNN Business, 2026; Charles Schwab, 2026). Ten-



year Treasury yields had risen 31 basis points from pre-conflict levels by March 12, 2026 (Deloitte Insights, 2026). Gold prices rose as investors sought safe-haven assets, while airline stocks suffered disproportionately, the United Airlines stock dropped 6% in early trading (Ranasinghe; Sayegh, 2026).

The uncertainty about conflict duration has been the primary driver of sustained market weakness. As David Laut, Chief Investment Officer at Kerux Financial, noted: 'The stock market remains in negative territory for the year, and has made new 2026 lows this week, which suggests that the market may not have yet found its bottom and is still in the process of sorting out and pricing in the duration of the Middle East conflict and oil price outlook' (CNN Business, 2026). Shipping costs on key routes have risen by up to 30%, while insurance premiums for vessels in the Gulf have in some cases doubled or tripled (Iran News Wire, 2026).

6. The Hidden Crisis: Food Security and Fertilizer Disruption

6.1 Fertilizer Supply Chain Collapse

Among the war's least-reported but most consequential economic impacts is the disruption to global fertilizer markets. Approximately 20% to 30% of global fertilizer exports and nearly 49% of global urea exports and 30% of global ammonia exports transit the Strait of Hormuz (Deloitte Insights, 2026; American Farm Bureau Federation, cited in AgTech Navigator, 2026). Urea, the world's most widely used nitrogen fertilizer, is manufactured from natural gas; as LNG plants in Qatar and across the Gulf shut down, urea production collapsed.

The consequences cascaded rapidly. After Qatari LNG facilities were attacked, Qatar Energy halted output at the world's largest urea plant. India, receiving over 40% of its urea and phosphate fertilizers from the Middle East, cut output from three of its own urea plants due to reduced gas availability. Bangladesh shut four of its five fertilizer factories. The US was already close to 25% short of its fertilizer supply for this time of year (Al Jazeera, 2026). Urea prices surged to \$585 per ton up 52.15% year-over-year as of March 11, 2026 (AgTech Navigator, 2026). In the Middle East, urea prices rose 19% within a single week (CFR, 2026).

6.2 Agricultural Production Risks

The timing of the fertilizer disruption is critically damaging because it coincides with the Northern Hemisphere Spring planting season, which runs from mid-February to early May. Fertilizer is essential



for virtually all commercial crops if growers want strong yields (Al Jazeera, 2026). A prolonged shortage could lead farmers to reduce or skip fertilizer application entirely, cutting crop yields for staple commodities including rice, wheat, maize, and soybeans, with cascading effects on global food prices.

Brazil is almost entirely reliant on fertilizer imports, with nearly half transiting through the Strait of Hormuz. India, one of the world's largest rice producers, accounting for roughly a quarter of global rice exports in 2024, is particularly exposed. The United Nations Food and Agriculture Organization's Chief Economist Máximo Torero underscored that 'the loss of Gulf exports creates an immediate global shortfall with no quick substitutes,' while noting that, unlike oil, there are no strategic international fertilizer stockpiles (NPR, 2026).

6.3 Hunger and Food Insecurity

The WFP's analysis paints a stark humanitarian picture. The organization estimates that almost 45 million additional people could be pushed into acute hunger if the conflict does not end by midyear, thus adding to the 318 million people worldwide already food-insecure before the war (Devex, 2026). These would be record levels of global food insecurity. The WFP has drawn explicit parallels to Russia's 2022 invasion of Ukraine, which triggered a fertilizer and cost-of-living crisis that forced 349 million people into hunger, noting that 'while in 2026 the conflict involves a global energy hub and not a breadbasket region, the potential impact is similar because energy and food markets are tightly correlated' (Devex, 2026).

The UN FAO's Torero identified countries immediately most at risk: Bangladesh, India, Pakistan, and Sri Lanka in South Asia; Sudan, Kenya, and Somalia in East Africa; and Turkey and Jordan in the Middle East (NPR, 2026). Countries in the Gulf Cooperation Council, while wealthy, import virtually all their sugar, 91% of their vegetable oils, and 77% of their rice (CFR, 2026; Deloitte Insights, 2026), and face acute food supply vulnerabilities.

7. Regional Economic Impacts

7.1 Asia: The Most Exposed Region

Asia bears the greatest burden of the war's energy shock, given its overwhelming dependence on Middle Eastern oil and LNG. China, the world's biggest oil importer, imports significant amounts from Iran and had been reliant on Venezuelan oil exports that are no longer an option for Beijing. Japan, South Korea,



Singapore, Taiwan, India, and Thailand are almost entirely dependent on foreign oil, with the overwhelming majority sourced from the Gulf region (CFR, 2026).

The CFR has reported that consumers across Southeast and South Asia are panicking, stockpiling fuel, and dramatically cutting spending on non-essential items. These behaviours, combined with inflation, are likely to depress growth across the region even if the war ends relatively soon, as it will take time for Gulf producers to rebuild and restore pre-war production levels. Some Asian states could run out of oil within weeks if the strait remains closed (CFR, 2026). South Korea activated a \$68 billion market-stabilization program, the KOSPI suffered its worst crash since 2008, and Japan is facing severe LNG shortages impacting electricity generation (WEF, 2026).

China, which holds large strategic and commercial oil reserves, has greater short-term resilience. However, its already modest 2026 growth outlook faces mounting pressure. Higher energy costs feed directly into production costs for steel, chemicals, and electronics, squeezing margins and weakening export competitiveness at a time of already intense trade friction with the United States (WEF, 2026). Capital Economics projects Chinese growth could fall below 3% year-on-year in a prolonged conflict scenario (Al Jazeera, 2026).

7.2 Europe: The Second Energy Crisis

Europe is experiencing what analysts are calling a second major energy crisis with the first being Russia's 2022 invasion of Ukraine. The suspension of Qatari LNG and the closure of the Strait of Hormuz have simultaneously cut off European energy imports at a time of historically low storage levels. The ECB postponed planned interest rate reductions on March 19, 2026, and economists warned that energy-intensive economies including Germany and Italy, face high risks of technical recession if the maritime blockade persists through the summer refill season. UK inflation is projected to breach 5% in 2026. (Schiffler, 2026).

Industrial output in the UK and EU has already been affected. Chemical and steel manufacturers have imposed surcharges of up to 30% to offset surging electricity and feedstock costs (Carroll; Daniel, 2026). According to Chatham House (2026), even in a relatively short conflict scenario, European inflation in 2026 would be approximately 0.5 percentage points higher than pre-conflict forecasts. In a prolonged scenario, the eurozone economy would likely contract in Q2 and flatline over the second half of the year (Chatham House, 2026).



7.3 The Gulf States

The Gulf Cooperation Council (GCC) economies namely Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, and Oman which together account for 38% of total foreign direct investment into the Middle East and North Africa region in 2024 face profound disruption despite being energy producers (Deloitte Insights, 2026). Strikes on key infrastructure including Saudi Arabia's Ras Tanura refinery and Qatar's Ras Laffan gas processing base have reduced Gulf oil production by an estimated 10 million barrels per day compared to March 2025 levels (CFR, 2026). Tourism, aviation, and non-oil sectors have been devastated. Major sporting events including the Formula One Bahrain and Saudi Grand Prix have been cancelled, while hotel bookings in Dubai and Qatar have plummeted (Saunders, 2026).

7.4 Emerging Markets and the Global South

Emerging markets face compounding vulnerabilities. A stronger US dollar which typically rises in geopolitical crises increases the cost of servicing dollar-denominated debt for developing nations. Higher energy and food import bills further strain already stressed fiscal positions. The Chatham House (2026) analysis warns that in countries where energy subsidies are extensive and government finances already shaky, higher energy prices could unsettle bond markets. The Middle East Council on Global Affairs' Schneider has warned that debt-ridden Global South countries may face a debt crisis if interest rates are hiked in the Global North to combat inflation (Al Jazeera, 2026). Sri Lanka, which raised LPG prices by 8% on March 11, 2026, a day after raising fuel prices by a similar percentage exemplifies the immediate pressures facing vulnerable economies (CFR, 2026).

8. Structural and Long-Term Goeconomic Consequences

Beyond the immediate economic metrics, the 2026 Iran War is likely to accelerate several long-term structural shifts in the global economy.

First, the conflict is a powerful accelerant for energy diversification. Historically, every major oil shock has generated a policy response proportional to the pain it inflicts, the 1973 oil embargo accelerated France's nuclear program; the 1979 Iranian Revolution drove Japan's aggressive energy-efficiency push. The current crisis, which simultaneously exposes Asia's dependence on imported oil and LNG and the fragility of fertilizer supply chains, may prove to be a powerful accelerant for diversification, redundancy, and stockpiling across multiple dimensions (WEF, 2026).



Second, global trade route geography is being permanently altered. The disruption to the Strait of Hormuz is forcing shippers to consider alternative routes including around the Cape of Good Hope, adding weeks and enormous costs to voyages. Airlines are rerouting flights around the conflict zone, adding one to two hours to journey times and raising fuel costs and ticket prices (Iran News Wire, 2026). These rerouting patterns, once established and infrastructure is adapted, may persist even after the conflict ends.

Third, the war is reshaping geopolitical alignments. The US-Israeli military operation has imposed enormous costs on many of the same Asian economies that serve as the US's primary trading and strategic partners. This contradiction, that the US has launched a war that disproportionately damages its allies, will complicate the coalition politics needed for post-conflict stabilisation and future crisis management. China, standing apart from the conflict, stands to benefit from the diplomatic realignments it may generate, particularly if it can position itself as a mediator or energy supply alternative for some partners (WEF, 2026; CFR, 2026).

Fourth, the decline in the oil intensity of global GDP approximately 36% lower over the 25 years through 2024 means that while the economic pain is real, it is somewhat less severe than comparable shocks in the 1970s would have been for today's global output levels (CSIS, 2026). This structural efficiency improvement provides some cushion but does not eliminate the severe disruption of a prolonged Strait closure.

9. Way Forward: Policy Responses and Structural Recommendations

9.1 Immediate Energy Security Measures

The most urgent priority is managing energy supply disruption. The International Energy Agency holds government-controlled oil stocks equivalent to more than 1.2 billion barrels, including approximately 415 million barrels in the US Strategic Petroleum Reserve. The IEA was evaluating a coordinated emergency stock release as of early March 2026 (CRS, 2026). A well-coordinated IEA release similar to those executed during the Gulf War of 1991 and after Hurricane Katrina could provide meaningful short-term market relief and signal international resolve. Governments should also accelerate approvals for alternative supply routes and activate emergency energy-sharing agreements between allied nations.



9.2 Monetary and Fiscal Policy Coordination

Central banks face an unprecedented challenge in simultaneously managing inflationary pressure and supporting growth. A coordinated approach analogous to the G20 coordination during the 2008-2009 global financial crisis is advisable. The IMF should play a central role in providing emergency liquidity support to vulnerable emerging markets facing balance-of-payments pressures from higher energy import bills. Governments in energy-importing economies should consider targeted fiscal support for vulnerable households and businesses, avoiding broad energy subsidies that may permanently strain public finances.

9.3 Food and Fertilizer Security

The WFP and FAO should immediately activate emergency food assistance programs targeting the most vulnerable countries identified by the UN FAO Chief Economist. Governments should consider releasing national fertilizer stockpiles where they exist and facilitating emergency alternative procurement from non-Gulf suppliers. Major agricultural economies including the US, Canada, Brazil, Russia, and EU members should commit to refraining from export restrictions on food and fertilizer, as export bans were a catastrophic multiplier of the 2022 food crisis triggered by the Ukraine war. Long-term, the crisis underscores the need for strategic international fertilizer stockpile arrangements, analogous to the IEA's oil stockholding system.

9.4 Diplomatic and Geopolitical De-escalation

From a purely economic standpoint, the fastest path to stabilization is a diplomatic solution that ends hostilities and reopens the Strait of Hormuz to commercial shipping. Every additional week of disruption makes recovery harder and more expensive. Neutral parties, including China, India, Turkey, and multilateral institutions should be engaged to facilitate ceasefire negotiations. The US should also recognize that the economic asymmetry of the conflict, where its Asian allies and trade partners bear a disproportionate burden, creates strategic incentives for a negotiated resolution that mitigates long-term alliance damage.

9.5 Accelerating Structural Diversification

The medium-term policy imperative is to reduce the world's structural dependence on the Strait of Hormuz as a single point of failure in global energy markets. This requires accelerating the buildout of alternative LNG export capacity outside the Gulf, expanding renewable energy deployment in highly



import-dependent Asian economies, investing in energy storage and grid resilience, and developing alternative fertilizer production capacity that is less dependent on Gulf gas feedstock. The crisis also demonstrates the urgent need for investment in alternative shipping infrastructure, including overland pipelines in Asia, expanded port capacity, and modernized rail networks, to reduce maritime chokepoint vulnerability.

10. Conclusion

The 2026 Iran War is not a regional conflict with peripheral global implications. It is, as the IEA has characterized it, the 'greatest global energy security challenge in history', a structural shock delivered at a moment of exceptional economic fragility. Within less than four weeks of its onset, the conflict has sent oil prices surging toward \$120 per barrel, threatened to push 45 million additional people into acute hunger, triggered some of Asia's worst single-day stock market crashes in decades, forced European central banks to abandon planned rate cuts, and disrupted the fertilizer markets that underpin global food production for billions of people.

The economic geography of the conflict is defined by a stark asymmetry: the United States and Israel, which initiated the military action, bear a far lighter immediate energy burden than the Asian and European economies that depend overwhelmingly on Middle Eastern oil and LNG. Iran has weaponized this asymmetry by targeting energy infrastructure and disrupting the Strait of Hormuz, effectively exporting the costs of war globally and building pressure for de-escalation.

The historical parallels to the 1970s oil shocks are sobering and instructive. Those crises generated a decade of stagflation, reshaped global energy policy, and permanently altered geopolitical alignments. The 2026 Iran War has the potential to be a similarly transformative event, not only triggering an immediate economic crisis but accelerating a long-term restructuring of global energy systems, trade routes, supply chain geography, and geopolitical partnerships.

The world economy has demonstrated resilience in the face of prior shocks absorbing the COVID-19 pandemic, Russia's invasion of Ukraine, and the disruptive US tariff escalations of 2025. However, resilience is not infinite, and cumulative shocks erode it. The Iran War arrives as a compounding blow, not an isolated one. The way forward requires urgent diplomatic resolution, coordinated emergency economic management, and a serious long-term commitment to reducing the structural vulnerabilities that this conflict has so painfully exposed. As Eswar Prasad of Cornell University observed, 'The world



economy has shown itself capable of shaking off significant shocks... so there is room for optimism that it will prove resilient', but that optimism must be earned through decisive action (PBS NewsHour, 2026).

References

- AgTech Navigator. (2026, March 11). Iran war to disrupt global agriculture supply chain, 2026 season. <https://www.agtechnavigator.com/Article/2026/03/11/iran-war-to-disrupt-global-agriculture-supply-chain-2026-season/>
- Al Jazeera. (2026, March 16). How badly has the Iran war hit the global economy? The tell-tale signs. Al Jazeera. <https://www.aljazeera.com/news/2026/3/16/the-tell-tale-signs-how-bad-has-the-iran-war-hit-the-global-economy>
- Al Jazeera. (2026, March 18). Not just energy: How the Iran war could trigger a global food crisis. Al Jazeera. <https://www.aljazeera.com/economy/2026/3/18/not-just-energy-how-the-iran-war-could-trigger-a-global-food-crisis>
- Capital Economics. (2026, March 9). Global macroeconomic scenarios: Iran war impact [Report authored by Neil Shearing et al.]. Capital Economics. Cited in Al Jazeera (2026, March 16).
- Carroll O, L. Daniel, A. (2026, March 17). 'Very damaging': how the Iran war is hitting energy-intensive industries. The Guardian. <https://www.theguardian.com/business/2026/mar/17/iran-war-energy-uk-europe-steel-chemicals>
- Chatham House. (2026, March). How will the Iran war affect the global economy? Chatham House – International Affairs Think Tank. <https://www.chathamhouse.org/2026/03/how-will-iran-war-affect-global-economy>
- Charles Schwab. (2026, March 13). Iran War: Potential impact on global equities [Analysis by Michelle Gibley & Chris Ferrarone]. Charles Schwab Investment Research. <https://www.schwab.com/learn/story/iran-war-potential-impact-on-global-equities>
- CNN Business. (2026, March 20). Stocks, bonds and gold slump while Iran war rages. CNN. <https://www.cnn.com/2026/03/20/investing/us-stocks-iran>
- Congressional Research Service (CRS). (2026). Iran conflict and the Strait of Hormuz: Impacts on oil, gas, and other commodities [CRS Report R45281]. Library of Congress. <https://www.congress.gov/crs-product/R45281>



- Council on Foreign Relations (CFR). (2026, March 13). The Iran War's hidden front: Food, water, and fertilizer [Article by Michael Werz]. CFR. <https://www.cfr.org/articles/the-iran-wars-hidden-front-food-water-and-fertilizer>
- Council on Foreign Relations (CFR). (2026, March 17). How the Iran war ignited a geoeconomic firestorm [Analysis by Edward Fishman et al.]. CFR. <https://www.cfr.org/articles/how-the-iran-war-ignited-a-geoeconomic-firestorm>
- Council on Foreign Relations (CFR). (2026, March 19). The Iran war is causing energy chaos in Asia [Article by Joseph Rachman]. CFR. <https://www.cfr.org/articles/the-iran-war-is-causing-energy-chaos-in-asia>
- Center for Strategic and International Studies (CSIS). (2026, March). What does the Iran war mean for global energy markets? CSIS. <https://www.csis.org/analysis/what-does-iran-war-mean-global-energy-markets>
- Deloitte Insights. (2026, March). Iran and Middle East conflict impacts global economy. Deloitte. <https://www.deloitte.com/us/en/insights/topics/economy/iran-middle-east-conflict-impacts-global-economy.html>
- DePhillis, L. (2026, March 5). How War in the Persian Gulf Could Spill into the US Economy. The New York Times. <https://www.nytimes.com/2026/03/05/business/economy/iran-oil-economy-consumers.html>
- Devex. (2026, March 18). Devex Dish: How the Iran war could trigger a global food crisis [Article by Tania Karas]. Devex. <https://www.devex.com/news/devex-dish-how-the-iran-war-could-trigger-a-global-food-crisis-112096>
- IDDRI. (2026, March 9). Iran War: a turning point for European energy transition policies. <https://www.iddri.org/en/publications-and-events/blog-post/iran-war-turning-point-european-energy-transition-policies>
- Saunders, N. (2026, March 13). F1 set to cancel Bahrain, Saudi Arabia races amid Iran war. ESPN. https://www.espn.in/f1/story/_/id/48182657/f1-cancel-bahrain-saudi-arabia-races-iran-war
- International Energy Agency (IEA). (2026). IEA emergency response assessment: Iran conflict and Strait of Hormuz. IEA. Cited in Congressional Research Service (2026) and Wikipedia (2026).
- International Monetary Fund (IMF). (2026, March 9). Remarks by Managing Director Kristalina Georgieva at Japan Ministry of Finance symposium [Quoted in Al Jazeera, 2026, March 16]. IMF.



- Iran News Wire. (2026, March). Iran war economic impact 2026: How the 2026 conflict is shaking the global economy. Iran News Wire. <https://irannewswire.org/iran-war-economic-impact-2026/>
- Lynch J, David. (2026, March 1). Markets begin to react as Trump's attack on Iran risks hitting American pocketbooks. The Washington Post. <https://www.washingtonpost.com/business/2026/03/01/iran-strikes-economic-costs-usa-middle-east-trump/>
- Morgan Stanley Wealth Management. (2026). Iran conflict: Oil price impacts and inflation. Morgan Stanley. <https://www.morganstanley.com/insights/articles/iran-war-oil-inflation-stock-market-2026>
- NBC News. (2026, March 23). The Iran war already hit gas prices. What it's coming for next [by Allie Canal & Steve Kopack]. NBC News. <https://www.nbcnews.com/business/consumer/iran-war-mortgage-rates-stocks-gas-rcna264499>
- NPR. (2026, March 20). How the Iran war threatens global food supply. National Public Radio. <https://www.npr.org/2026/03/20/nx-s1-5750812/how-the-iran-war-threatens-global-food-supply>
- PBS NewsHour. (2026, March). War with Iran delivers high oil prices and another shock to the global economy. PBS. <https://www.pbs.org/newshour/world/war-with-iran-delivers-high-oil-prices-and-another-shock-to-the-global-economy>
- Ranasinghe, D., Sayegh A, Hadeel. (2026, February 28). How US-Iran tensions could shape world markets. Reuters. <https://www.reuters.com/business/energy/how-us-iran-tensions-could-shape-world-markets-2026-02-28/>
- Resources for the Future. (2026, March). Energy and the Iran war: What we're watching. Resources for the Future. <https://www.resources.org/common-resources/energy-and-the-iran-war-what-were-watching/>
- Schiffler, A. (2026, March 19). ECB Leaves Rates Unchanged, Lifts 2026 Inflation Outlook on Iran War. Morningstar. <https://global.morningstar.com/en-nd/economy/ecb-leaves-rates-unchanged-lifts-2026-inflation-outlook-iran-war>
- Silano, S. (2026, March 6). What the Iran War Means for European Inflation and Interest Rates. Morningstar. <https://global.morningstar.com/en-gb/economy/what-iran-war-means-european-inflation-ecb-interest-rate-cuts>
- World Economic Forum (WEF). (2026, March). The global price tag of war in the Middle East. WEF. <https://www.weforum.org/stories/2026/03/the-global-price-tag-of-war-in-the-middle-east/>



- World Food Programme (WFP). (2026, March). Iran war food security assessment. United Nations World Food Programme. Cited in Devex (2026, March 18) and Live Science (2026).