

WORLD

Energy crisis dashes global economic outlook

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Rachmat Mulyono and Irna Suryat, a married couple running a small noodle stall in Tangerang, Indonesia, said they have felt the impact firsthand, with oil prices surging and everyday essentials becoming more expensive.

"The surge in oil and commodity prices has driven up the cost of ingredients, raising the expenses of running our stall. Meanwhile, higher prices for basic necessities have put additional strain on our household budget, making it harder to make ends meet," Mulyono said.

As the Indonesian government considers work-from-home measures to conserve energy, street vendors are feeling the impact firsthand, with fewer regular customers and dwindling foot traffic cutting into their daily income.

This situation is not unique to Indonesia. Amid an energy crunch, many countries have taken steps to cope. Thailand has asked civil servants to conserve energy by pausing overseas travel and using stairs instead of elevators, while Bangladesh has closed universities.

Elsewhere, India has instructed its refineries to prioritize the supply of liquefied petroleum gas to households over commercial establishments. Pakistan, Egypt, and Vietnam have increased fuel prices and implemented energy-saving measures.

Since the conflict in Iran began on Feb 28, the Strait of Hormuz, a critical artery for global energy supplies located off the coast of Iran, has emerged as a major hot spot.

Iran has restricted vessels linked to nations responsible for the conflict from passing through this strategic channel, where roughly one-fifth of the world's oil and LNG shipments make their way to global markets.

Kemas Muhammad Ramadhan, a computer engineer in Jakarta, has begun to feel the strain in everyday life, especially when it comes to energy-related essentials. "Subsidized cooking gas — once easy to find — has become increasingly scarce. The familiar green government-subsidized canisters are often nowhere to be found, forcing me to search from shop to shop," he told China Daily.

He said that if fuel prices continue to climb, he may switch to a bicycle and rely more on public transport, especially electric options, in the hope of shielding himself from rising costs.

"I am also tightening my budget, cutting back on small daily expenses like buying coffee and bracing for further increases in essential items such as rice and cooking gas," Ramadhan said.

Earlier this month, the International Energy Agency took a decisive step by committing to release a historic 400 million barrels of oil from emergency reserves to stabilize supply chains and mitigate price hikes.

However, industry experts have warned that the volume represents only about 20 days' worth of global energy supplies.

"The global economy is facing a major, major threat today," said Fatih Birol, chief of the agency, on Monday. "No country will be immune to the effects of this crisis if it contin-



Fuel transport truck driver Chad Middleton refills a gas station on Wednesday, in Kingston Springs, Tennessee. GEORGE WALKER IV / AP



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Fatih Birol, chief of the International Energy Agency

ues to go in this direction. So there is a need for global efforts," Birol said.

Rising energy prices and supply constraints may dent production of nonessential goods and services, which will add to the challenges faced by policymakers, including central bankers, Akur Barua, associate vice-president at Deloitte Services India Pvt Ltd, said in an analysis.

Food security

Moreover, the conflict has significantly disrupted global fertilizer markets, raising concerns over global food security. Around one-third of global supplies that normally transit the Strait of Hormuz are now stalled. US farmers have already been reporting empty shelves ahead of the spring planting season.

If the conflict lasts just a few more weeks, global food supplies will be significantly disrupted, said Maximo Torero, chief economist of the Food and Agriculture Organization of the United Nations.

"This will affect planting. There will be a lower supply of commodities in the world — of staple cereals, of feed, and therefore of dairy and meat," he said.

A more severe escalation, particularly one involving prolonged disruptions to the Strait of Hormuz, could have more significant consequences.



"Sustained disruptions could push oil prices much higher, weaken global trade, and slow economic growth," said a recent report by the Asian Development Bank.

The World Trade Organization also said on March 19 that if oil and gas prices remain high for the rest of the year, it could reduce the predicted 2026 growth in global GDP by 0.3 percent.

Potential spillovers

"Sustained increases in energy prices could increase risks for global trade, with potential spillovers for food security and cost pressures on consumers and businesses," said WTO Director-General Ngozi Okonjo-Iweala.

The sharp rise in prices of crude oil and refined products has had far-reaching implications for the global economy, said Ding Long, a professor at Shanghai International Studies University's Middle East Studies Institute.

He noted that higher oil prices have driven up the cost of key raw materials, including plastics, fertilizers and rubber, raising production costs. As these increases are passed on to consumers, purchasing power declines, demand weakens, and businesses face margin pressure from both sides.

Supply disruptions are likely to push up fertilizer prices or constrain availability, threatening next season's harvests. Meanwhile, diesel prices have doubled, raising farming costs and prompting some smallholders to scale back production.

Surging marine fuel costs have also driven up grain shipping rates, at times exceeding the value of the cargo, worsening food shortages in vulnerable regions, Ding added.

"It has fueled market concerns over energy supply shortages while pushing up global inflation, dampening the momentum of economic recovery and increasing the risk of a 'hard landing,'" he said.

Ding added that the energy crisis stemming from the US-led conflict in Iran is set to have global repercussions, though its effects will be unevenly distributed across economies.

"Smaller energy-importing economies ... are likely to experience comparatively stronger macroeconomic effects," the ADB report said.

Zhu Zhaoyi, an associate researcher at Institute of the International Economy at the University of International Business and Economics, said that the conflict has dealt a blow to globalization.

Over the past three decades, global economic prosperity has been supported by complex supply chains premised on a stable security environment, he said.

The Russia-Ukraine conflict that started in 2022, the Red Sea crisis in 2024 and the ongoing large-scale conflict in the Middle East have posed a threat to the order underpinning globalization, Zhu added.

Ding in Shanghai noted that the conflict has undermined the perception of Gulf countries as "safe havens", with their investment climates and economic outlook facing considerable scrutiny.

All Gulf countries have been significantly affected by the conflict, he said. "Once the strait is blockaded or shipping risks rise, Gulf oil exporters could struggle to export oil and secure foreign currency revenues."

Shafira Ananda Putri Boediman in Jakarta and agencies contributed to this story.



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Iran, US harden their positions as efforts falter

Tehran mulls Hormuz tolls as White House issues fresh warning amid strikes

By CUI HAIPEI in Dubai, UAE and JAN YUMUL in Hong Kong

Warring sides hardened their positions as hopes of de-escalation appeared to fade on Thursday, with the United States preparing for the arrival of combat forces to potentially put boots on the ground in Iran and Tehran moving to formalize its control over the Strait of Hormuz.

Iran's parliament is working on a draft bill to charge a fee in return for securing the passage of ships through the vital strait, according to the semi-official Fars News Agency, citing an unnamed lawmaker who added that the plan is expected to be finalized next week.

"We are pursuing a proposal in which Iran's sovereignty, control and oversight in the Strait of Hormuz are formally recognized in law, and through the collection of tolls, a new revenue stream will also be created for the country," Fars cited the lawmaker as saying.

Iranian Foreign Minister Seyed Abbas Araghchi said on Wednesday in an interview with state TV that the strait was "closed only to enemies", adding that Tehran's armed forces had already "provided safe passage" for ships from friendly nations.

Meanwhile, a US strike group led by the amphibious assault ship USS *Tripoli* drew closer to the Middle East carrying some 2,500 Marines, and at least 1,000 paratroopers from the 82nd Airborne Division have been ordered to the region.

US Navy Admiral Brad Cooper, who commands the US military in the region, said that his forces have hit more than 10,000 targets since Israel and the US started the war on Feb 28, destroying 92 percent of Iran's largest ships and more than two-thirds of the country's missile, drone and naval production facilities.

"We're not done yet," Cooper said in a video message. "We are on track to fully dismantle Iran's broader military capabilities."

Iran should "get serious soon, before it is too late," US President Donald Trump threatened in a Truth

Social post on Thursday, claiming that Iran is "begging" to make a deal with the United States.

White House press secretary Karoline Leavitt also issued a warning on Wednesday, demanding Iran accept defeat or face more intense strikes, even as Washington presented a 15-point ceasefire proposal to Tehran.

But Araghchi said on Wednesday that his government has not engaged in talks to end the conflict, "nor do we intend to hold any negotiations."

Iran's parliament speaker, Mohammad Bagher Ghalibaf, warned on Wednesday that intelligence reports suggest that "Iran's enemies" are planning to occupy an Iranian island with backing from an unnamed regional country.

Landing ground troops

Iran has also hinted it could open a new military front on the Red Sea if the US takes "foolish actions", such as landing ground troops.

Military sources told Tasnim News Agency that US forces "should be careful not to add another strait to their problems and dilemmas". "The Bab al-Mandeb Strait is considered one of the world's strategic straits, and Iran has both the will and the capability to produce a fully credible threat against it," they said, referring to the entrance to the Red Sea.

Meanwhile, Israel is ramping up its military campaign against Iran amid fears the US could declare an abrupt ceasefire. Israeli media reported on Thursday that Alireza Tangsiri, commander of Iran's Revolutionary Guards Navy, had been targeted in Bandar Abbas. An official noted that Tangsiri was the official overseeing potential closures of the Strait of Hormuz.

In the United Arab Emirates, alerts began sounding again in Dubai and Abu Dhabi. Two people were killed and three others injured in the capital after debris fell from a successfully intercepted missile, authorities said.

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Iranians chant slogans and wave Iranian flags during a rally, at a square in western Tehran on Wednesday. VAHID SALEMI / AP

Revisiting Adam Smith in an age of rising protectionism

"Since you are here, why not visit the house of Adam Smith?" said Peter Burnett, CEO of the China Britain Business Council, during an interview with me on the sidelines of a business event held in Edinburgh earlier this month.

It was a road show for the China International Supply Chain Expo, which will be held in Beijing in June, and Burnett had just given a keynote speech, citing Smith for his idea of the market as the "invisible hand" that stabilizes prices and matches demand with supply.

"He was a philosopher and an economist who established the benefits of free and fair trade. So he hated protectionism and tariffs. He didn't think that they were the right thing to do," said Burnett.

Of course, I know Smith, the father of economics, whom I learned about in high school. But I forgot he was born and raised in Scotland, around 300 years ago.

How exciting it would be to "meet" him in the city where he lived, worked, and died.

The next day, it was windy and raining outside. Edinburgh's weather is notoriously unpredictable in spring, and locals joke that one can experience all four seasons in a single day. Just as Smith might have experienced, I thought, as I stepped out in the drizzle.

Walking down the Royal Mile, the cobbled street in the Old Town, I found the statue of Smith, located in an ancient marketplace looking downhill toward the harbor and over the sea to the nearby county of Fife, where he was born.

The location of the statue in the middle of the tourist street lined with shops could hardly be more appropriate. It was in the market that he observed the bargaining and haggling to understand how society functioned and traded with each other's comparative advantages.



Xing Yi
Reporter's log



Further down the street, I visited the Canongate Kirkyard, where the grave of Smith lies. The grave is fenced, and the inscription on the gravestone reads: Here are deposited the remains of Adam, author of *The Theory of Moral Sentiments* and *The Wealth of Nations*.

Not far from the grave, I found the Panmure House, a 17th-century townhouse which is the only surviving residence of Smith, who spent his last 12 years there, during which he revised and completed the final editions of his masterpieces. Smith died in 1790.

The tour prompted me to revisit Smith's influential legacy for thoughts: In *The Wealth of Nations*, he argued that countries prosper on the division of labor and free trade, and in *The Theory of Moral Sentiments*, he proposed that human morality arises from our capacity for sympathy, and to judge our own behavior through conscience within us.

Later, during my four-hour train ride back to London, I glanced through a biography of Smith by Jesse Norman, a member of the British Parliament and also an author. The Smith who emerges from the book was not only the first thinker to place markets at the

heart of economics but also a pioneering theorist of moral philosophy, culture, and society.

Smith's arguments resonate today even more so. What would Smith say about the current tariff wars that the United States started around the globe?

In modern terms, he would likely say that although tariffs protect certain industries, they reduce competition and increase costs for the broader economy.

"He certainly would be angered by a global retreat from trade and the raising of tariffs and nontariff barriers. That's absolutely contrary to Smithian economics," said Norman in an interview with Economics Observatory.

The representatives of Scottish companies I spoke to during the road show also noted that working with Chinese partners can strengthen their capacity to develop better products, while Chinese firms told me they need British expertise to approach clients in Europe.

I specifically asked whether they had concerns about supply-chain security and intellectual property

when dealing with Chinese partners — topics so often hyped up by Western media and think tanks.

Their answers were refreshingly candid and to the point. One said there is always a risk involved in any collaboration, regardless of the partner, but that their experience working with the Chinese companies had been smooth.

More than two centuries on, the market theory that Smith first proposed has become "common sense" for businesspeople, yet it poses an uncomfortable question to some politicians: whether nations will choose cooperation over confrontation, and openness over protectionism.

Perhaps they, too, should revisit Smith, refresh the basic economic lessons, and test their moral conscience, for their choices will shape not only the prosperity of individual nations, but also that of the world.

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