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### Can the Sea Be Taxed?

## The Strait of Hormuz and the Emerging Challenge to the Maritime Order: Implications for the Korean Peninsula

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The 2026 Iran war, triggered by preemptive strikes by the United States and Israel, is rapidly evolving into a systemic risk to the global economy. As airstrikes spread across the Gulf Cooperation Council (GCC) states and the wider Middle East, attention has increasingly shifted to the Strait of Hormuz. Iran’s threat to restrict access to the strait has raised a fundamental question: can freedom of navigation still be taken for granted?

More consequentially, Iran’s proposal to impose transit fees on vessels passing through the strait signals a deeper transformation. This is not merely about temporary disruption or military escalation. It represents a potential inflection point in the evolution of maritime security norms—one that could outlast the conflict itself.

Historically, crises at maritime chokepoints have centered on whether passage is possible. The question was binary: open or closed. Transit fees, however, introduce a qualitatively different issue. They effectively price maritime mobility, transforming what has long been treated as a global public good into something closer to a privatized corridor. If such a precedent is accepted, the implications extend far beyond Hormuz. Other critical chokepoints—from the Strait of Malacca to the Strait of Gibraltar - could become candidates for similar arrangements. Even the Korea Strait could, in principle, be subject to such claims. This would fundamentally alter the nature of the global trading system, which remains deeply dependent on open and secure sea lanes.

## **The Legal Limits of Transit Fees in Natural Straits**

From the standpoint of international law, imposing transit fees on natural straits is difficult to justify. The United Nations Convention on the Law of the Sea (UNCLOS) guarantees the right of transit passage through straits used for international navigation. Codified in Article 38, this right ensures continuous and expeditious navigation and overflight, and it cannot be suspended by littoral states. It goes well beyond the more limited right of innocent passage under Article 17, which is subject to conditions related to the peace, good order, and security of the coastal state.

The Strait of Hormuz is a quintessential example of such a strait. It connects areas of the high seas or exclusive economic zones and spans the territories of multiple states. Unlike artificial waterways such as the Suez or Panama Canals - where tolls are justified by construction and maintenance costs - natural straits do not confer upon coastal states the right to charge for passage. Regulatory authority is limited to safety and environmental protection. Any attempt to impose transit fees would therefore sit uneasily, if not directly conflict, with the existing legal framework.

This issue is likely to be addressed in part through the International Maritime Organization (IMO), which has long played a central role in shaping navigational safety standards. The first step would be to reaffirm the principle of freedom of transit. While such declarations carry limited enforcement power, they help consolidate international expectations and norms.

A second line of response lies in technical and safety mechanisms. Coastal states may attempt to justify fees as necessary for navigation safety or traffic management. However, the IMO has already developed internationally recognized systems - such as vessel traffic services, standardized routing measures, and communication protocols - that effectively address these concerns. In other words, safety can be managed through existing multilateral frameworks, reducing the plausibility of unilateral fee imposition.

A third, more consequential approach involves collective maritime governance. This may include coordinated naval presence and escort operations to ensure secure passage. Yet here, too, limitations are evident: institutions like the IMO lack enforcement capabilities. Ultimately, the issue will be shaped by a combination of legal norms, military power, and market dynamics. Preventing the normalization of transit fees in natural straits will require alignment across all three.

## **The Non-Substitutability of Hormuz**

What distinguishes the Strait of Hormuz is not simply its volume of traffic but its lack of viable alternatives. Other chokepoints, such as the Suez Canal or the Strait of Malacca, can be bypassed - at higher cost - through alternative routes. In such cases, disruptions raise prices but do not halt flows entirely.

Hormuz is different. The export infrastructure of major Gulf producers is geographically locked into the strait. While some pipelines and overland routes exist, their capacity accounts for only 10~15 percent of total exports. This means that any significant disruption could directly affect more than 80 percent of regional energy flows. The result is not merely higher transport costs but a contraction in supply itself.

Moreover, shifting from maritime to overland transport represents a structural change in logistics. It entails lower efficiency, higher costs, and reduced scalability. In this sense, Hormuz operates not as a marginal bottleneck but as a systemic chokepoint - one that determines supply conditions rather than simply influencing prices.

## **The Economic Consequences of Maritime Pricing**

The implications of transit fees extend well beyond legal and political considerations. They have clear economic consequences. Global maritime trade is estimated at approximately \$12 trillion annually, with more than half passing through key chokepoints. If an average fee of 1~2 percent were imposed across major straits, the additional cost could reach \$60~120 billion per year.

These costs would not remain confined to shipping. They would cascade through energy markets, raw materials, and intermediate goods, ultimately feeding into production costs and consumer prices. Existing studies suggest that increases in maritime transport costs can reduce global GDP by around 0.05 percent. However, those estimates largely reflect temporary shocks, such as those seen during the COVID-19 pandemic.

A structurally embedded cost - such as a permanent transit fee - would likely have a more pronounced and enduring impact. Even under conservative assumptions, global GDP could decline by 0.2~0.4 percent annually, equivalent to \$200~400 billion. Crucially, this would not be a one-off shock but a recurring drag on global economic efficiency. Transit fees, once institutionalized, would function much like a permanent tariff on global trade.

## **East Asia and Seoul's Structural Vulnerability**

The risks associated with Hormuz are unevenly distributed. The United States, with its high degree of energy self-sufficiency, faces limited direct exposure. Europe, although still an energy importer, is affected primarily through price fluctuations rather than supply disruptions.

East Asia, by contrast, is exposed to volume risk. South Korea, in particular, depends heavily on Middle Eastern energy for crude oil, petrochemicals, and industrial inputs such as naphtha, helium, and sulfur.

At the same time, South Korea's economic structure compounds its vulnerability. As a country that combines high energy import dependence with a central role in global intermediate goods production, external shocks propagate through multiple channels. A disruption begins with rising import costs, feeds into higher production expenses, and ultimately erodes export competitiveness - before cascading across global supply chains.

The challenge is not limited to Hormuz. The Strait of Malacca and the Suez Canal are equally critical nodes in East Asia's maritime network. Disruptions in any of these routes could produce comparable effects. As such, South Korea's response must move beyond a single chokepoint and instead address the resilience of the broader maritime network - through diversification of supply sources, shipping routes, and industrial structures.

## **Implications for the Korean Peninsula: Rethinking Maritime Strategy**

The crisis in the Strait of Hormuz has implications that extend far beyond energy security. It calls into question the foundational assumptions underlying South Korea's maritime strategy and economic model.

First, it challenges the premise of an open maritime order. South Korea has long operated under the assumption that sea lanes would remain open and freely accessible. If transit fees become normalized, the oceans will no longer function as a global commons but as spaces shaped by cost, control, and strategic leverage. This would amount to the emergence of a de facto "maritime tariff system," undermining the seaborne foundation of free trade.

Second, it elevates the strategic significance of regional straits, including the Korea Strait. While it currently operates under the principle of free transit, the diffusion of precedents from Hormuz could embolden claims for greater coastal state control in East Asia. This would erode normative stability and intensify geopolitical competition over maritime corridors.

Third, the issue is directly tied to national security. Energy disruptions affect not only economic output but also military readiness and societal stability. In a crisis environment, intensified competition over resource access could shift the nature of alliances and multilateral cooperation - from traditional security arrangements toward competition over supply chains and strategic commodities.

Finally, these developments demand a recalibration of South Korea's strategic posture. The country can no longer remain a passive beneficiary of the existing maritime order. Instead, it must assume a more proactive role in sustaining and reinforcing the core functions of that order. This entails supporting the principle of free transit through international straits, deepening engagement in multilateral maritime governance - including through the IMO - strengthening naval capabilities to secure sea lines of communication, and advancing diversification in energy and supply chains.

Ultimately, South Korea must reposition itself not simply as a user of the maritime system but as a country that actively contributes to its stability and continuity in an increasingly fragmented global environment.

## **The Sea as a Global Commons**

Even if military tensions subside, the precedent of transit fees would endure. For centuries, the seas beyond territorial waters have been treated as a shared domain - open to all and owned by none. If coastal states begin to assert proprietary control and impose charges on passage, the maritime order will undergo a fundamental transformation. The consequences are clear: trade will become more costly, more uncertain, and more politicized.

The Strait of Hormuz is not just a regional issue. It is a test of the rules that underpin the global economy. For the Korean Peninsula, it is not a matter of choice but of survival.

The answer must therefore be unequivocal: the sea cannot—and must not—become subject to tolls.