

**Richard Rousseau**

## **Strait of Hormuz: Iran's bluff and the west's fears**

On January 3, Tehran threatened to block off the world's most strategically important crude oil export route, the Strait of Hormuz. However, this gateway to oil importing countries no longer has the strategic significance that many observers attribute to it, as only one-fourth or even one-fifth of the world's crude export currently pass through the strait, which means that Iran's threats are not perceived as so intimidating as would once have been the case. Finding itself under siege following the tightening of the United Nations sanctions, the Mullahs' regime is still trying to forge ahead with its nuclear programme. To get its own way, it is hanging over the whole world the spectre of a blockade of the Strait of Hormuz. It is claimed that if the Iranians take action the world oil price will increase by a staggering 50%, reaching \$150 a barrel. Such an oil price hike would cause chaos in the oil market and wreak havoc on an already stressed global financial situation. Already the threats have produced a robust response. "We made very clear that the United States will not tolerate the blocking of the Strait of Hormuz. That's another red line for us and we will respond to them," thundered Leon Panetta, US Secretary of Defense, on January 8. Yet, when looking closely at the current situation in the Persian Gulf, it quickly becomes apparent that Iran's threats, and the reaction of those being threatened, are grossly disproportionate to what can feasibly be brought about. Does Iran have the capability to display such bravado in the face of opposition from the international community? The Iranian Navy has several Russian Kilo Class submarines, fast frigates and corvettes, which are all able to hinder supertanker movement in the Hormuz Strait. They are armed with Russian-designed torpedoes which can seriously damage oil tankers. However, in the event of a first strike by Iran, the American response would be immediate and devastating. The US Fifth Fleet has been anchored for years in Manama, Bahrain, not far from the Strait of Hormuz. If the Iranians send their ships to sea and launch missiles against commercial or allied ships in a tanker war, they will be exposed within a few hours to the rapid destruction of their fleet and military technology. All response scenarios show that, at the very beginning of an offensive, the US and its allied Air Forces would destroy ports and shipping terminals of Bandar Abbas and Kish Island (part of the Hormozgan Province of Iran), cutting off the Iranian Navy from its rear operating bases. Ultimately, Tehran's only credible option is to disrupt activity in this key Gulf trade route. Is the Strait of Hormuz actually vital to the world's oil market? The answer is: Much less than it used to be. While 40% of the world's crude oil exports passed through the Strait in the early 2000s, this percentage has been significantly decreased in recent years. Currently, only 20-25% of the world's total crude exports originate from the Gulf. Saudi Arabia, the second largest producer of crude oil, would be the country most affected by a blockage. The Saudi Ras Tanura offshore oil terminal exports approximately 6 million barrels a day through the Strait of Hormuz. However, the Saudis have an alternative means of transporting their crude oil to world markets. They could quickly reactivate their defunct Trans-Arabian pipeline and send their crude to the Red Sea coast, as they previously did, further reducing the significance of the Strait of Hormuz route. On the consumer side, contrary to popular belief, the west would not be the first, or even main, victim of an Iran-US war in the Persian Gulf. Eighty five percent of the oil extracted in the Persian Gulf is shipped to Asia (China, Japan, India and South Korea). These countries – and that region more generally – would bear most of the burden of such a war. The closing of the Strait of Hormuz would also greatly affect the Iranians themselves. Two million barrels of Iranian oil pass through the Strait every day en route to Asian customers. How then would the US react? Washington has no other choice than to respond militarily to the Iranian threat, even though the Strait of Hormuz is now much less strategically important for the US than it was a decade ago. Even though the Persian Gulf continues to be the

most important oil producing region in global terms, it now plays a marginal role in supplying many western countries, and especially the United States. American dependence on oil imports grew rapidly during the last four decades, from 10% in 1970 to 65% by the end of 2004. Similar to China today, the US was well on the slippery slope of oil dependency. However, it has since been able to reverse this trend. The US has reduced the percentage of its oil consumption met by imports, which has fallen from over 60% in 2005 to 47% in 2011. The centre of gravity in the world oil market is shifting rapidly. New offshore discoveries in Brazil, the growing importance of Canada's oil tar sands and, more significantly, the presence of massive quantities of shale gas and oil in the US (North Dakota, Pennsylvania) finally allow Washington to worry less about the Arab energy tutelage. Recent technological advances enable to unlocked vast sources of oil trapped in shale sedimentary formations. For instance, Persian Gulf suppliers now play only a very minor role in supplying the Texas and Louisiana refineries. The US now buys most of its 'foreign' oil from its close neighbours, Canada and Mexico. What consequences would an armed conflict have on the Gulf monarchies? The United Arab Emirates (U.A.E.), Qatar and Kuwait, the three other major oil producers in the Persian Gulf after Saudi Arabia, would be greatly affected by a crisis in the Strait of Hormuz. All of their oil exports pass through the Strait, and they have no alternative route. Their oil tankers, which transport several million barrels, would be marooned in their harbours. For its part, Iraq could redirect its oil exports to the north, through pipelines. The Gulf's emirs have therefore no other choice but to accept the position of Washington, as they have practically no room for manoeuvre on this issue. China would also fall victim to an escalation in the Persian Gulf. Paradoxically, such a worst case scenario could force Beijing to ally itself with the United States in an attempt to resolve the crisis through diplomacy. It should be recalled that Beijing is the only member of the UN Security Council that still supports Tehran on the issue of the Iranian nuclear programme.

All things considered, and based on the above-mentioned considerations and supporting facts, an Iranian military action in the Strait of Hormuz is highly unlikely - albeit military strategy is not an exact science.