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Position Paper

Blocking the Strait of Hormuz: Options for GCC Countries

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"When two elephants fight, it is the grass that suffers." This African proverb eloquently expresses the current situation that GCC countries have come to face with the ongoing crisis between Iran and Western countries, particularly the United States.

Tension in the Arabian Gulf was aggravated by the new stage the Iranian nuclear program has entered, for during the last few weeks opposing threats between Iran and the international community ensued. Although the threats are not new, this time they are accompanied by significant developments.

The "War of Threats"

Concurring with the "war of threats," Iran, the United States, and European countries have expressed unprecedented seriousness about imposing their will on opponents; while the United States imposed sanctions on Iran in December 2011, countries of the European Union approved sanctions banning the importation of Iranian oil on January 23rd 2012, which observers described as a "time bomb" that will explode on the first of July 2012.

European and American sanctions aimed to coerce Iran to stop developing its nuclear program. Accordingly, Tehran responded with two messages to the United States and Western countries. The first message was a threat to block the Strait of Hormuz and to cut off the lifeline of oil navigation in it if more Western sanctions are imposed; Vice President Mohammad-Reza Rahimi announced that if the West bans the exportation of Iranian oil, Iran will block the Strait of Hormuz and "not a drop of oil to pass through." Navy Commander Rear Admiral Habibollah Sayyari maintained that "to Iranian naval forces, blocking the strait would be easier than drinking a glass of water." Washington responded by stating that it would not allow any disruptions of this strategic strait to international oil supplies as about forty percent of total world oil exports pass through it daily. It insisted that if Iran is able to block it, the United States will undertake procedures to unblock it. In fact, it sent six warships led by US aircraft carriers.

The second message was a threat warning GCC countries against replacing Iran's share of oil if the international community imposes more sanctions against Iran, as it considers banning its oil exports and sales a "declaration of war." Tension is expected to heighten as the oil embargo approaches.

Iranian OPEC Governor Mohammad Ali Khatibi also warned GCC countries against replacing Iran's share of oil in the market if the European Union bans the import of crude oil from Iran, indicating that "the consequences of this issue are unpredictable. Therefore, our Arab neighbor countries should not cooperate with these adventurers and should adopt wise policies."

Complementing the strategy of "pushing to the edge of abyss," Tehran added a sense of seriousness to its threat to block the Strait of Hormuz as it organized a ten-day naval war drill called "Velayat 90" in the strait that was considered a simulation of its blockage. It also announced that it will hold another round of drills in February 2012.

The GCC Stalemate

In the midst of these successive developments, GCC countries have begun to face a real stalemate symbolized by two issues that are perhaps difficult to reconcile:

- Firstly: dealing with the implications that may result if Iran carries out its threat to block the Strait of Hormuz or at least make navigating it unsafe considering it is the only passage for some Gulf countries (Kuwait, Bahrain, and Qatar) and almost the only one for others (Saudi Arabia, United Arab Emirates, and Oman) for oil and other exports as well as all imports.

- Secondly: GCC countries will become the horns of the dilemma of proving the credibility of their commitment to international decisions concerning oil sanctions on Iran and the Iranian threat that they will face "a dangerous path" if they decide to compensate for the shortage of Iran's oil production.

Another related problem is that GCC countries will be confused about whether it should meet the increasing domestic demand for energy or compensate for the shortage of Iranian oil exports.

Possibilities of Blocking the Strait of Hormuz

Iran initiated its threats to block the Strait of Hormuz through several factors:

First: its direct supervision of the strait from the north. Second: the strait's coordinates; it is sixty kilometers wide and its narrowest point it is 34 kilometers wide while the inbound and outbound traffic lanes are ten and five kilometers respectively, which implies that the sinking of two medium-sized tankers is enough to block the strait from naval navigation. Furthermore, the Iranian navy possesses the means to inconvenience ships passing through the strait.

Indeed, Iran is capable of blocking the strait as it has three Russian submarines and it is believed to be capable of laying mines. It also has a fleet of small submarines, thousands of speed boats equipped with anti-ship missiles that can escape marine radars unless they are dangerously close. In addition, the Strait of Hormuz contains small Iranian islands that are useful for launching quick and effective attacks.

Nonetheless, the blockage of the Strait of Hormuz would prove to be a disastrous scenario to Iran as its effects will not be limited to the global economy and the economies of countries that consume Gulf oil. Rather, they will surpass Iran's economy which already suffers from decline for the strait is a main port for most of the oil that is exported abroad, and blocking it would practically be an invitation for the West to use the military option for confrontation. It is unlikely that it would in fact use its military capabilities to merely hinder the attempt to block the strait but it is probable that Western intervention would extend to include smart strikes on Iranian nuclear facilities.

Implications of Blockage

Blocking the Strait of Hormuz or continuing to threat to do so will undoubtedly have great implications for GCC countries, the most prominent of which being

the possibilities of oil prices reaching record levels especially as the threat to block the strait coincides with the winter, the season in which demand for oil reaches its peaks. This will cause great damage to the global economy and increase the cost of importing necessary commodities and feedstock which will negatively affect the balance of payments of GCC countries and cause the overall exhaustion of their already exhausted budgets.

Potential Scenarios

- The Worst Case Scenario: Complete Blockage

In this scenario, the Strait of Hormuz is completely blocked through the sinking of oil tankers; the laying of mines; or the use of speed boats, mobile missiles, and rocket-propelled grenades.

This scenario faces many difficulties as it requires international intervention because the economies of countries all over the world will suffer greatly if oil imports from the Gulf are stopped. The United States unequivocally made it clear that any disruption of naval movement in the Gulf will be a "red line," and President Barack Obama affirmed in the

State of the Union address that he delivered on 25th January Washington's determination to prevent Iran from acquiring nuclear weapons in every way possible.

It is therefore unlikely that Iran will carry out such violent action because its cost is much higher than the gains Iran seeks.

- The "Tanker War" Scenario

In this scenario, several forms of aggravation are practiced to disrupt the oil trade which will thus lead to the rise of oil prices and the continuation of this rise in Iran's favor but without causing war or complete blockage of the Strait of Hormuz; and this would resemble the "tanker war" of the eighties.

The object of Iranian aggravation is to raise insurance fees and other costs of maritime transportation, increase oil prices to harm the West, compensate for revenue lost because of the ban, and place the world before a fait accompli especially in a case of expected tension in global markets from the fear of blockage, albeit temporary, and the possibility of price increase.

Alternatives and GCC Options

To confront this problem, Gulf countries will seek for their exports and imports secure passages that will compensate for their losses in the strait and enable them to forgo it if necessary like in case of natural disasters (such as earthquakes), acts of sabotage, piracy, conflicts, or wars.

Historical experience supports this as it indicates that Iran's threat to block the Strait of Hormuz has become a tactic Tehran in every crisis it faces with the outside world, particularly the United States.

The most important alternatives and options available are:

- The Northeast Arabia-Red Sea Line constructed by Saudi Arabia in 1982 during the Iran-Iraq War and expanded in 1992 after the independence of Kuwait. It connects the eastern region to Yanbu' on the coast of the Red Sea with the length of 1200 kilometers; and its capacity is 5.4 million barrels a day. Also, the storage capacity of Yanbu' is about 5.12 million barrels a day, which enables Saudi Arabia to export fifty percent of its daily production through this outlet.
- Constructing a naval port in the Arabian Sea via Yemeni or Omani territory
- Constructing a naval port in the Gulf of Oman via UAE territory
- Constructing an immense pipeline between Sharjah and Fujairah 100 kilometers long, through which petroleum can be transported on ships from ports of countries that export to Sharjah and then emptied and transported through pipes on the coast of Fujairah in the Gulf of Oman. Later, it can be carried to its destination without passing through the Strait of Hormuz.

Most of these alternatives reduce insurance fees and shipping costs and all of them can accommodate massive oil tankers.

Not only is the cost of blocking the Strait of Hormuz is heavy for Iran, but it will gradually volatilize Iran's response and be predisposed to comprise and avoid war. GCC countries will pressure Western forces to avoid it in order to keep their economies from facing great losses that may disrupt internal peace, thus increasing the exhaustion of the global economy whose consequences the United States itself will not outlive.

