

NO STRAIGHT TALK, ONLY POSTURING BETWEEN US, IRAN ON STRAIT OF HORMUZ

[youtube]http://www.youtube.com/watch?v=z8yG5G2Kwt0[/youtube]

Iran's threats to close the Strait of Hormuz are getting a lot of play in the press the past few days. As the ten days of naval war games for Iran that began on Saturday have continued, Iran's bluster has gotten stronger, as have the US responses.

Ironically, Iran's stated purpose when it began the war games included the desire to "convey a message of peace and friendship to regional countries" and yet, as can be seen in the video here, Iranian authorities are now saying that should their ability to export oil be curtailed through sanctions put in place by the US and European allies, they would close down the Strait of Hormuz, preventing exports by other countries in the region.

The impact of a real closure would be huge. Many of the numbers involved can be gleaned from this Bloomberg article published this morning. Iran's oil exports amount to 3.6 million barrels a day, which means Iran only accounts for 23% of the 15.5 million barrels a day that pass through the Strait. It is believed that Saudi Arabia could produce an extra 2.5 million barrels a day in the event of sanctions halting Iran's supply, and up to 200,000 more barrels a day could come from other countries in the region, so about 75% of Iran's output probably could be replaced quickly.

However, with the Strait closed, the entire 15.5 million barrels a day could be disrupted. There is a pipeline being built by the United Arab Emirates that the Bloomberg article says will be ready "soon" and could bypass the Strait with

1.4 to 1.8 million barrels a day, but this would be only a very small fraction of the lost supply.

Even though such a closure would be seen as a direct response to the US and its European allies, the impact on China should not be overlooked. The CIA world factbook informs us that the US imports 10.3 million barrels a day and the EU imports 8.6 million, but China is next in line at 4.8 million barrels a day. How would China respond to such a huge disruption of their supply, especially if it comes about through a series of disagreements where they have not been included in the discourse? The Bloomberg article linked above suggests that the oil passing through the Strait amounts to about a sixth of the world's consumption, but if I am reading the CIA figures correctly, the amount going through the Strait is closer to a third of the oil that is imported throughout the world.

For a very detailed discussion of how Iran would go about closing the Strait, this article from Tyler Durden describes in great detail information from an Iranian publication that gives the nuts and bolts of how the closure would be enacted. As to whether they actually would be successful in such a move, that is an entirely different question. CNN describes Iran's failed attempt to close the Strait during the Iran-Iraq war in the 1980's and notes that regional navies quickly began escorting tankers through the Strait. However, the potential Iranian approach for closure this time described by Durden looks much more broad than what took place nearly 30 years ago, so there really is no good precedent on which to base a forecast for the likelihood of success for a new attempt.

Strangely, both the US and Iran seem to be paying considerable attention to the fact that Iran apparently obtained video of a US aircraft carrier as it passed through the Strait. The US admits that the John C. Stennis passed through the Strait on Tuesday on a previously scheduled movement. I fail to understand how Iran can

support its claim that obtaining this video demonstrates their “control over the moves by foreign forces” in the area or why the US would even find it necessary to respond to the announcement of the video. In fact, Fars News even states “It is not clear what information the Iranian military could glean from the footage, but it displays Iran’s naval power in water.”

Let’s hope all parties involved here are able to continue the matter of the Strait as a strictly verbal battle rather than a physical one.