

POLICY BRIEF



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HOW VERBAL THREATS TO CLOSE OIL TRANSIT CHOKPOINTS LEAD TO MILITARY CONFLICT

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ABSTRACT On December 26, 2011, in response to US, European, and potential Asian sanctions on Iranian oil exports, the government in Tehran issued a threat to “cut off the Strait of Hormuz.” The US Defense Department responded that any blockade of the strait would be met with force. On first read, it is easy to dismiss such saber rattling as another chapter in the new Cold War in the Middle East between Iran and its allies – including Syria, Hamas, and Hezbollah – and the US, Israel, and the Sunni Gulf States, mostly notably Saudi Arabia. Iran has since backed away from its threat, but the event still carries importance because it is unclear how both the US and Iran will continue to respond, particularly as the diplomatic and economic pressures grow more acute while Iran’s controversial nuclear program advances. Could such a verbal threat by Iran to cut off the Strait of Hormuz ignite a military conflagration in the region? The relationship between military conflict and oil supply disruptions is well established; however, policymakers and analysts tend to focus on the incidents in which military conflict causes disruptions in oil supplies and sharp increases in prices. The first and most obvious example of this dynamic was the Arab-Israeli War of 1973. The subsequent oil embargo by the Arab members of the Organization for Petroleum Exporting Countries (OPEC) against the United States and the Netherlands for their support of Israel caused prices to soar as oil-consuming nations endured supply shortages. The Iranian Revolution from 1978 to 1979 was another event that curtailed Western nations’ access to oil and caused prices to spike. When thinking about the relationship between military conflict and oil supply disruptions, however, policymakers and analysts should also recognize that the competition over oil – and even verbal threats to disrupt oil supplies by closing oil transit chokepoints – have either led directly to military conflict or have provided a useful cover under which countries have initiated military conflict. By examining past episodes when countries issued threats to close oil transit chokepoints, this Policy Brief helps illuminate the dangers associated with the current crisis over the Strait of Hormuz.



The Importance of Oil Transit Chokepoints in the Middle East

The Western powers became interested in Middle East oil at the turn of the twentieth century and, by the beginning of the Second World War, the US, British, and Dutch oil companies controlled access to the reserves in the major oil-producing states: Iran, Iraq, Kuwait, and Saudi Arabia. During the postwar period, the US and Britain sought to safeguard their oil interests in the Persian Gulf area, which had become the new center of gravity for world oil production. Middle East oil would rebuild the war battered economies of Europe as well as Japan and would power the American military during the Cold War. Controlling the supply of oil, however, was only important if the oil could be transported to viable markets, specifically to the Mediterranean and then on to Western Europe, which got ninety percent of its oil from the Persian Gulf. For Persian Gulf oil to reach the Mediterranean, it had to pass through a series of oil-transit states, including Israel, Jordan, Lebanon, Syria, Turkey, and Egypt, which had the Suez Canal. Instability within or conflict between these oil-transit states therefore became a serious concern of American and Western European policymakers beginning in the 1950s.

Four maritime chokepoints have been critical to the transit of oil to Europe: the Turkish Straits; the Suez Canal and its environs, which includes the Straits of Tiran; the Mandab Strait; and the Strait of Hormuz.¹

¹ A fifth chokepoint concerning Middle East oil, the Strait of Malacca, is of key strategic importance to China, Korea, and Japan. Since the American and Chinese navies dominate these waters it is difficult to envision the

Since the signing of the Montreux Convention in 1936, the Turkish Straits have operated without interruption, except for accidental shipwrecks. (In the late 1940s, the Soviet Union pressured Turkey to allow Russian bases in the Straits, but, with American backing, Turkey resisted Russian advances.) On the other hand, the Suez Canal and its environs, including the Straits of Tiran, were theaters of two major conflicts in 1956 and 1967 and will be discussed in greater detail below. The most proximate cause of these conflicts was verbal threats by Egypt to block oil transit chokepoints. And while the Mandab Strait, which marks the entrance to the Red Sea from the Arabian Sea, is currently vulnerable to hijackings by Somali pirates, some of whose most valuable scores have been oil tankers, these hijackings have only impacted oil prices to a small extent and have not disrupted supplies. Indeed, the Mandab



Straits being blocked; however, a closure, if prolonged, would have serious repercussions for the world economy. The Panama Canal and the Danish Straits are two other chokepoints, but they do not involve the transportation of Middle Eastern oil.

Strait has historically remained immune from the oil transit crises connected with the Arab-Israeli conflict.

Of the four straits, the Strait of Hormuz is the most important chokepoint for oil transportation, since supertankers transporting Persian Gulf oil have no other outlet to the seas and forward markets. In the postwar era, military conflict has not disrupted this chokepoint, although there were light, small-scale clashes between the Americans and Iranians at the end of the Iran-Iraq war in 1988. The current American-Iranian standoff bears some resemblance, but the stakes now are much higher in light of Iran's nuclear program. As a result, the US has ratcheted up sanctions and brought along its European and Asian allies to bring economic pressure on Iran. The US holds the military balance of power and Iran would lose massive amounts of revenues in oil exports – not to mention the blockage of imports – if the Strait was shut, but the regime could decide that blocking the Strait is its only option in an act of desperation. Moreover, the US or Israel could use such an act as an excuse to launch a military strike against Iran.

The Suez Crisis of 1956 and Arab-Israeli War of 1967

Since the early 1950s, oil-producing countries in the Middle East have recognized the importance of oil to the Western powers and have sought to

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harness oil as a political weapon. Iran was the first Middle Eastern country to attempt to nationalize its assets. In 1951, following months of unrest and strikes by oil workers, the popular leader, Mohammad Mossadegh, emerged and led the Iranian Parliament to nationalize the British Petroleum (BP) Company's holdings in the country. The British could not countenance the loss, and, with the help of the American CIA, ousted Mossadegh and reinstalled the Shah. Oil production was turned over to an American, British, French, and Dutch Consortium, which controlled production until 1979. Although the Iranian supply was cut off for almost three years from 1951 to 1954, the disruption did not materially affect oil-consuming nations. Nonetheless, the brief episode of Iranian nationalization set the precedent for a more brazen challenge to Western control of oil by Egypt in 1956.

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but received Anglo-American aid in December 1955 to build a new dam at Aswan. When Nasser recognized the People's Republic of China in May 1956, the West decided to check Nasser and withdrew the funds for the Aswan dam in July 1956. Nasser, claiming that he needed revenue to build the dam, took the extraordinary step of nationalizing the British and French owned Suez Canal Company on July 26, 1956. He also announced the closure of the canal as well as the Straits of Tiran to Israeli shipping. Nasser's moves directly threatened British and French financial interests in the company. More importantly, the US, Britain, and France all worried that Nasser intended to hold them hostage to further demands by cutting off Europe's most important oil transit route for Persian Gulf crude. In fact, Nasser invoked the possibility of using oil transportation as a weapon when he called on Syria in a speech in August 1956 to sabotage the pipelines running from Iraq, a British ally, in the event of Western action against Egypt. For Israel, the blockade of the Gulf of Aqaba would deny it access to oil from the Persian Gulf, but at this time Israel received the majority of its oil imports from BP via the Western Hemisphere, which were unloaded at Mediterranean Sea ports. Moreover, the Egyptian blockade of the Gulf of Aqaba was bluster since the Egyptians did not stop a single ship destined for Israel.

It is unclear to what extent the threat of cutting off oil supplies either genuinely frightened Britain, France, and Israel into action or served as an excuse for them to launch an attack and regain control of the

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canal. The US supported a diplomatic solution and indeed the Western powers could have worked out a *modus operandi* whereby oil transportation was not disrupted and military conflict was avoided; after all, Nasser needed the toll revenues to fund the dam project among other aspirations. The British and French, nonetheless, could not absorb the attendant loss of prestige and erosion of their positions in the Middle East. Consequently, the two governments contacted Israel about launching a joint attack. Israel saw the opportunity to grab control of the Gaza Strip and Sinai Peninsula, and, on October 29, 1956, Israeli forces quickly took the Sinai and the Straits of Tiran. The three countries had hidden the plans from the US, and, when President Eisenhower learned of the attack, he denounced the actions of his allies. Since Britain, France, and Israel devised their plans in secret and believed that an alternative transit route for oil could not be found, diplomatic tension boiled over into military conflict.

In response to the attack, Nasser blocked the Suez Canal, and the Syrians, in solidarity with Nasser, cut off the flow of oil from Iraq to the Mediterranean. With both the Suez Canal and oil pipeline closed, the West's oil supplies were curtailed, although it was able to make up for the shortfall by increasing Western Hemisphere production. Western governments and oil companies also devised numerous schemes to transport oil from the Persian Gulf without passing through the Suez Canal or Syria. The primary strategy was to accelerate the building of massive oil tankers, which could transport

oil around the Cape of Good Hope in Africa and then north to Rotterdam and other European ports. Western nations and oil companies also began drawing up plans to build an anti-Nasser pipeline from Iraq to Turkey, which would bypass Syria altogether. This scheme was dropped in spring 1958 because Iraq did not want to anger its Arab neighbor, Syria, by transporting oil through non-Arab Turkey.

By March 1957, the US had compelled all British, French, and Israeli forces out of Egypt, and oil transit through the Suez Canal was restarted. The peace, however, would barely last ten years before another major military conflict erupted. From 1957 to 1967, oil transit routes continued to cause tensions between Middle Eastern states. From 1957 to 1961, BP, out of concern for its interests elsewhere in the Arab world, ended its direct relationship in supplying oil to the Israelis via the Mediterranean Sea. During that same period, Iran became Israel's sole supplier of oil, which made the Straits of Tiran an oil transit chokepoint of existential importance to Israel.²

The Arab-Israeli War of 1967

Much like the Suez Crisis, the Arab-Israeli War of 1967 resulted from a verbal threat from Egypt to cut off the free transportation of oil, but whereas Britain and France were involved in the Suez Crisis, the 1967 conflict was strictly an Arab-Israeli affair. By 1967, relations between Israel and its neighbors had grown increasingly bleak and were characterized

² Israel's lack of indigenous oil supplies along with Arab antipathy towards Israel made the country's oil policy a highly secretive matter and one of grave importance to its national security.

by a number of border clashes between Israel and Syria. In April 1967, Israel downed six Syrian jets in a major air battle above the Golan Heights. In mid-May Nasser, sensing the moment to reassert himself – his prestige in the Arab world had slowly declined during the 1960s, in part due to the disastrous war in Yemen – asked the United Nations to remove its forces stationed in the Sinai since 1957. He then positioned his own troops in the Sinai on the border with Israel and announced on May 23, 1967 that he was closing the Straits of Tiran to all Israeli shipping.

According to the archival record of the US State Department, Israel decided to use Nasser's verbal threat to block off the Straits as a *casus belli* in order to strike a devastating blow to Nasser and capture the Sinai: "the decision was made to fight rather than to surrender to a blockade in Aqaba; Israel would not try to live on one lung. It had delayed thus far in striking because of President Johnson's urgings." When the Johnson Administration rejected this rationale for war, Israel shifted its argument, claiming that Nasser's troops in the Sinai represented an existential threat and that an Egyptian attack was imminent. Historians have since demonstrated that Nasser's moves were bluster. The blockade was never enforced, and the US military and intelligence agencies had assessed the Egyptian forces and found them to be undermanned, lacking in military hardware, and without intention to attack. An Israeli strike, therefore, was unjustified; moreover, if it were to occur, there was no question about the outcome. Given the changing rationales for a strike offered by the Israeli leadership to the US, one can conclude that Israel sought to find a reason to initiate war with Egypt, and Nasser's brinkmanship provided it. Due to the lack of diplomacy between Egypt and

Israel and Israel's lack of an additional transit route by which it could receive oil supplies, military conflict erupted.

On June 5, 1967, Israel launched a surprise attack, overwhelmed Egyptian forces within six days, and occupied the Sinai Peninsula, the Suez Canal, and the waters in the Gulf of Suez. Thereafter, the Suez Canal was shutdown from 1967 to 1975, forcing Western oil companies to sail around the Cape of Good Hope with supertankers. The Arab-Israeli War of 1967 not only enhanced Israel's position in terms of oil transportation by giving it control over the Suez Canal and the Straits of Tiran but it also greatly increased its supplies. In the 1960s, oil and gas had been discovered in the Gulf of Suez and the Sinai Peninsula. Israel now controlled these supplies and during the 1970s became both energy independent and a net exporter of oil for the first time in its history. When Egypt and Israel signed the Sinai II agreement in 1975, the Suez Canal reopened, Egypt no longer posed a threat to block the passage of oil, and regional conflict over oil transit significantly abated.

Turkey and France suffered the most from the closure of the Suez Canal in 1967, which brought each country closer to oil-rich states in the Middle East, most notably Iraq. When the conflict erupted, a grouping of Arab oil-producing and oil-transit states launched a three-month oil embargo against the United States and Britain. In fact, Iraq was the first to limit its supply and, along with Syria, blocked the Mediterranean pipeline. This denial of oil

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impacted Turkish foreign policy planners, complicating its alliance with Israel within the Western orbit and bringing it closer to Iraq in the subsequent years. In fact, only one month into the embargo, Iraq and Syria made specific arrangements for only two countries – Turkey and France – to lift oil from the port at Baniyas, Syria. France went even further than Turkey in openly severing its relations with Israel over the war and built trading relations with Iraq and other Arab oil-producing countries whereby France sold weapons in exchange for oil.

Recommendations for Turkey

In the Suez Crisis of 1956 and Arab-Israeli War of 1967, verbal threats to oil security combined with intense diplomatic pressures to create untenable situations. This combination resembles today's standoff between the US and Iran in the Persian Gulf. If the Strait of Hormuz was closed, the world economy would suffer from disruptions in supply and increases in prices, and Turkey's economy would not escape the damage. Turkey should have contingency plans on hand in case such a scenario emerges and should be aware that saber rattling and verbal threats to

block oil transit routes should be taken seriously. Historically, Turkey has played a unique and important role in helping to avoid conflict in the Middle East through diplomacy. In the current standoff between the US and Iran, Turkey has already mitigated tensions and it should continue to consider this role a high priority.

Another way Turkey can work to avoid regional conflict over oil transportation is to continue to seek to diversify its transit routes for energy supplies. One reason for Turkey's strong economic performance during the 1980s was that the price of oil plummeted by the middle of the decade, and Turkey had gained direct access to Iraqi crude via the Kirkuk-Ceyhan pipeline. The political and economic challenges facing Turkey and Iraq in the 1970s were immense. Turkey suffered from low levels of foreign currency, the bulk of which went towards purchasing oil. The investment made by both Turkey and Iraq in the pipeline in the 1970s was rewarded in the 1980s, when a second, parallel line between Kirkuk and Ceyhan was constructed. Such pipeline schemes can seem financially daunting and even unsound in the planning stages, but can pay extremely large dividends, particularly in how they provide diversification for a country's supply.

In fact, the creation of more alternatives for oil transportation helped reduce military conflict between Egypt and Israel. After the closure of the Suez Canal in 1967, Israel built a pipeline in 1970 that collected Iranian crude at Eilat on the Gulf of Aqaba and pumped it to Ashkelon on the Mediterranean coast, from where it could be reloaded on tankers and shipped to Europe. In 1977, Egypt completed the Suez-Mediterranean pipeline, which received Arab Persian Gulf crude at Ain Sukhna on the Gulf of Suez and pumped it to Alexandria on the Mediterranean coast, from where it was also loaded on to tankers and shipped to Europe. The Suez Canal reopened in 1975 and by 1977 there

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were three routes through the Suez Canal environs by which Persian Gulf oil could transit onward to Europe. In 1978, Egypt and Israel signed the Camp David Accords, and the two countries have since benefitted from peaceful relations. While oil transportation was only one of many factors influencing Egyptian-Israeli relations, it is clear that the expansion of oil transit options helped reduce diplomatic tensions.

Finally, international agreements are essential in maintaining the security of oil transit chokepoints, including the Strait of Hormuz. In 1982, the United Nations produced a series of conventions regarding the transit of vessels through strategic maritime chokepoints. Iran and the United

Arab Emirates have signed the Convention on the Law of the Sea but have not ratified it, whereas Turkey, Syria, and Israel have not signed it. Each country has important national reasons for withholding full support, but all countries should pursue some type of UN-sponsored, international agreement regarding the regulation of maritime chokepoints because it would reduce the potential for military conflict.

An examination of the history of international agreements concerning oil transit chokepoints, along with an analysis of the role played by oil pipelines as viable alternatives for oil transportation, are both topics that can further inform discussions about the current crisis over the Strait of Hormuz.

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