

THE STRAIT OF HORMUZ AND IRAN'S INTERNATIONAL RELATIONS

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Received: 19.08.2019

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Accepted: 14.10.2019

ABSTRACT

The demand for energy in the world is increasing day by day, and for the countries that have an energy deficit, the uninterrupted and safe energy trade has vital importance. An important part of energy trade is provided by the sea and this makes the strategic straits more valuable than ever before in history. The most important of these straits is the Strait of Hormuz (SH), which is a key to the transportation of the Middle Eastern oil and that natural gas flow to Europe, the South Asia and the Pacific. The SH has attracted the attention of the whole world due to the recent diplomatic crisis between the US and Iran. In the event that Iran does not terminate its nuclear activities, the US's declaration on blocking the Iran's petroleum trade and Iran's announcement in shutting down the SH directly to sea trade have increased the tension in the region. It is inevitable that these potential initiatives seriously disrupt the world energy trade. In this regard, the policies of China, India and Turkey, whose economic growths base on energy import, have been a subject of discussion. The aim of this paper is to examine the strategic, economic, and politic importance of the Strait of Hormuz and Effects on Iran's international relations and foreign policy. The paper has the purpose of revealing the attitudes and policies of international actors on the SH and regional politics.

Keywords: The Strait of Hormuz, Iran, Turkey, USA, South Asia.

INTRODUCTION

The US-Iran relations broken by the Islamic Revolution forty years ago entered into a process of recovery with the agreement of Iran on nuclear activities with the West and the US as a party to the agreement. However, this process has not been long lasting with the announcement by US President Trump, who unilaterally withdrew from the nuclear deal in May 2018. He announced that all of the Iranian economic sanctions suspended in 2015 would be strongly implemented. This development caused a great turmoil in the companies and banks that have commercial relations with Iran. The US has urged all countries, particularly China, India, the EU and Turkey, gradually to cancel their trade with Iran. The US has also threatened to apply the same economic sanctions of Iran on the countries that have not cut their economic ties with Iran. Moreover, later the US announced to block the oil trade and this caused Iran-US relations to be further strained. In response to all these threats, Iran has announced to continue the nuclear agreement with the other countries, except the US. In addition, in response to the US attempt to block possible Iranian oil trade, Iran has threatened to close the SH, which is a transit point for region maritime trade. The closure of the SH causes that the region experiences the problem of not being able to import the products of other oil producing countries and thus leave the countries in need of oil and natural gas to be in a difficult situation to sustain their economic growth. This study aims to explain the strategic importance of the SH, which has turned into a potential flashpoint with mutual threat declarations, by economic data and statistical information to determine how the world energy trade is affected in the event of the closure of the SH on the basis of its geopolitical and geostrategic position and to make analyses about how US, China, India, EU and Turkey react to these possible developments. This study having an important contribution to the literature has great importance to make analyses and evaluations on a timely topic.

THEORETICAL AND HISTORICAL FRAMEWORK OF THE STRAIT OF HORMUZ

The SH has been a strategic focus in the world affairs for thousands of years. Approximately 21% of the world's oil and 1/3 of global seaborne traded oil pass through this strait (EIA, 2019a). A large portion of the world crude oil imports are made through oil pipelines located here (Table-1). The SH is the main oil distribution choke point of the world. 21 million of barrels per day (mb/d) oil that accounts for thirty percent of all maritime oil are transported daily through the SH in 2018 (EIA, 2019b). The strained relations between the US and Iran, the border disputes among the Middle Eastern countries have increased the SH's strategic importance.

Table 1. *Crude Oil, Condensate, and Petroleum Products Transported the SH (mb/d)*

	2014	2015	2016	2017	2018
Total oil flows through Strait of Hormuz	17.2	18.4	20.6	20.3	20.7
Crude and condensate	14.4	15.2	17.3	17.2	17.3
Petroleum products	2.8	3.2	3.3	3.1	3.3
World maritime oil trade	56.4	58.9	61.2	62.5	N/A
World total petroleum and other liquids consumption	93.9	95.9	96.9	98.5	99.9
LNG flows through Strait of Hormuz (Tcf per year)	4.0	4.2	4.2	4.1	4.1

Source: EIA, based on Short-Term Energy Outlook

The tensions and conflicts resulted in increasing security concerns and arms race. The Chapter 1 examines the issue of the SH in a theoretical framework based on the Regional Security Complex Theory (RSCT). It provides information on the strategic and historical importance of the SH and explains its economic and commercial importance.

Understanding the Strait of Hormuz Tension within Regional Security Complex Theory

RSCT, which was firstly asserted by the British academicians Barry Buzan's work of "Peoples, States and Fear" (1983), has made a significant contribution to the understanding of the new international system after the Cold War. Buzan argued that the new conflicts or alliances of the international system would take place in sub-systems of the regions rather than the axis of global cultural, religious, and civilized separations (Buzan and Waever, 2003). One of the regions defined under this framework is the Middle East Regional Security Complex (MERSC), consisting of three sub-complexes based on Gulf, Levant, and Maghreb. Gulf sub-complex includes Iran, Saudi Arabia, Iraq, Qatar, Bahrain, Oman, Kuwait and Yemen, and is the largest sub-complex of MERSC (Erdag, 2017). Within this sub-complex, the Persian Gulf, which meets almost 25% of the world trade in oil by itself, and the SH, which is the only connection point of the gulf to the world, have great importance. Here, RSCT is an instrument to re-interpret the issue and be applied to the SH.

RSCT is one of the main approaches of the Copenhagen School since the 1990s that aims to replicate the regional dynamics of security. According to RSCT, geographical areas having similar problems in terms of security or common potential in these issues form a complex structure. The scholars of the Copenhagen School stated that the security problems in the post-cold war period would be caused by inter-regional and/or intra-regional conflicts. According to this theory, geographical areas or regions in similar problems for security or in common potentials for these issues form a complex structure.

The basic idea is that real threats are more effective in geographically close regions, increasing interdependence in security at a regional scale. Regional security structures are security dilemmas concentrated in specific geographical areas (regions) (Buzan et al., 1998: 12). The threat perceptions of the states or the actors who have strong interests with these states are directly linked to each other and this creates security dependence among them (Buzan, 2003: 141).

This mutual security dependency is more intense between states within the RSCs than those outside the RSCs (Buzan, 2003: 141).

The common threat perception in the Middle East has started since the 1979 Iranian Revolution. Before the revolution, the common threat perception of the Arab countries in the Gulf was USSR, but after the revolution this perception shifted to Iran as the post-revolutionary Islamic regime and a Shiite-centric state. Indeed, the most important factor causing this new security perception has been the rising Iranian military power in the region. Because Iran was then following a policy of increasing its military power to become a dominant force in the region and in responding to a possible US military intervention. While the armed forces of the Gulf countries (Saudi Arabia, Bahrain, Oman, Qatar, Kuwait, and UAE) have a total of 372,000 personnel, Iran has 523,000 military personnel (Globalfirepower.com 2019). According to a report published by the International Peace Research Institute (SIPRI) on April 29, 2019, Iran spent a total of \$140B on military targets in the last 10 years, and Iran's military spending in 2018 alone amounted to \$13B (SIPRI, 2018). This data also shows Iran's military spending is more than the others in the region.

Differences in the forms of regime of the countries of the region such as unsecular states like Iran, Saudi Arabia, and the Gulf States and economic imbalances (Saudi Arabia vs. Yemen) further complicate the situation. Furthermore, religious sectarian differences and historical conjuncture caused Iran to be the focus of common threat perceptions of Arab states in the region. Saudi Arabia's entry into the military and ideological rivalry with Iran on regional sovereignty led to an increase in the polarization that would lead to the Sunni-Shiite and also Arabian-Persian division in the region (Westermayr, 2015).

By this polarization, the weak Arab countries of the Gulf have started various initiatives to meet their own security needs. So, they have tried to restrict Iran by establishing alliances and undertaking heavy arm investments. In November 1984, they agreed to establish a joint defense force, called 'the Jezira (Peninsula) Shield Force', at the Gulf Cooperation Council (GCC) meeting and to conduct a series of military exercises with the participation of the army of the member states. However, this attempt remained in theory only. Because the Peninsula Shield Force could not interfere with Iraq's invasion of Kuwait in 1991. Another important step was taken with the Damascus Declaration,² but this initiative also failed. This declaration, prepared by the GCC members after the Gulf War, initially aimed at securing the Gulf's security and challenging the expanding ambitions of leaders such as Saddam Hussein. But it failed to succeed because of the GCC states' hesitation in coordinating their defense arrangements with the Syrian and Egyptian governments (The GCC: Alliance Politics, 1993: 35).

After all these failed attempts, the gulf countries understood that they would not form a common defense force among themselves, and inevitably they decided to take shelter under the security umbrella of the US superpower, which had great interests in their region. On September 19, 1991, during the Gulf War I, Kuwait signed a bilateral defense agreement with the US, which would be valid for ten

² The Damascus Declaration, which was aimed of improving cooperation between the Gulf Arab countries and Egypt and Syria, was signed on among the Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Egypt and Syria 6 March 1991 in the Syrian capital.

years, and then other member states established similar relations with the US. In this process, it was observed that the US military power that which had been deployed to ensure control of energy resources towards the end of the WWI gradually increased in the certain Gulf countries like Bahrain, Oman, Kuwait, and Qatar. Particularly during the Iran-Iraq War during 1980-88 and in the later period, there were various tensions between Iran and the US that could endanger regional security.

All these attempts between the states in the region have made the tense atmosphere in the region even more strained. However, thanks to its geopolitical position and existing military power, Iran had become a key power in the Gulf. At this stage, the most important factor strengthening Iran's hand has been its dominant position in the SH. Without using the SH, it is almost impossible to maintain the vital oil trade for the Gulf countries. Iran, in the face of the US sanctions imposed to hinder of Iranian oil trade, has threatened to close the SH. The fact that Iran has the power to close the SH by using its geographical location and military capabilities continues to increase the security concerns in the region. On the other hand, the fact that the US started to increase its military power in the Gulf following its unilateral withdrawn from the nuclear agreement has put the possibility of a potential conflict over the SH, and this threatens the entire Gulf security.

Strategic and Historical Importance of the Strait of Hormuz

Seaborne trade routes play an important role in today's transportation. Around 10.7 billion tons of global crude oil and petroleum products (including dry bulk commodities) were transported by these routes in 2017 (UNCTAD, 2018). They have valuable narrow or wide chokepoints in their bodies. The geographical location of these chokepoints and their share in international trade are the factors that increase their strategic importance. In terms of geopolitics, the straits of Malacca, Bab-el Mandeb, Suez Canal and SUMED Pipeline, Turkish Straits, Danish Strait, Panama Canal and Cape of Good Hope are described the most important chokepoints in the world (EIA, 2017). According to Albuquerque, who was a Portuguese sailor in 1453-1515, any state dominating the three straits -Hormuz, Malacca, and Bab-el Mandeb- controls whole of the world (Morris et al., 1953). In his theory, due to its geographic location, the SH has the dominant key over the other two straits (Morris et al., 1953). The SH connects the gulfs of Oman and Persian and opens the Persian Gulf to the world (Figure 1.). The SH is considered as the most important strategic gateway in the world because it is located on the only access seaway to the oil fields in the Middle East (Rodrigue, 2004). Moreover, for the volume of crude oil and petroleum products carried daily, the SH takes the first place (Elahi, 2005).

Figure 1. *The Strait of Hormuz*

Source: <https://www.foxnews.com/world/whats-the-strait-of-hormuz-iran-shot-us-navy-drone>

Around 18 mb/d of crude oil and condensate, 300 million cubic meters per day of liquefied natural gas (LNG), and 4 mb/d of petroleum products transported through the SH in 2018 (Ratner, 2018). The dominant role of the SH in the global economy, security and stability of the Middle East and the Persian Gulf is an indisputable truth. In the event of any halt of oil flow from the strait, the economies of developed countries would not only be affected negatively but the economy and security of the Middle East and even the whole region would seriously be affected (Ashrafpour, 2010).

The SH, located at the heart of the world's oil trade routes, has been a potential conflict point and faced the threat of closure by neighboring countries continuously as it was in the war between Iran and Iraq. Both countries opened fire on the tankers in each other's ports, regardless of whether they were impartial. During this incident, known as 'Tanker Wars', Iran threatened to shut down the SH, claiming that Iraq had unfairly intervened in the strait. After the US attacked Iran in the Iran-Iraq War (1980-80), the SH also hosted a conflict between the US Navy and Iran in April 1988. In the 1990s, Iran had some disagreements with United Arab Emirates (UAE) over the control of several small islands near the SH, and again played the card of the closure the SH. Although Iran has declared its dominance over the islands in 1992, but the tension between the countries in the region continued through the 1990s (Rodrigue, 2004).

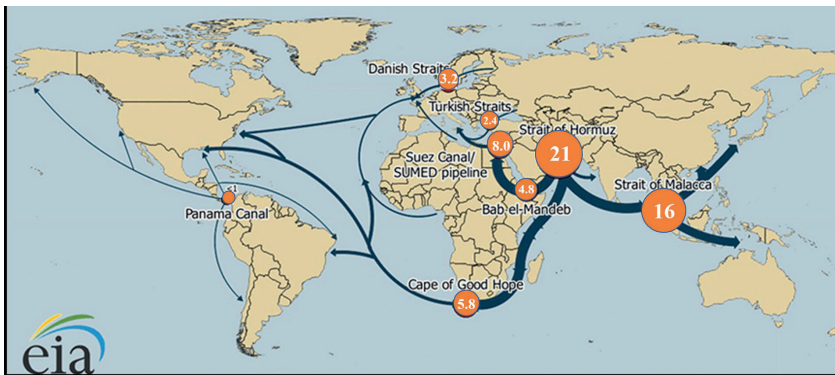
Due to the increasing tension in the region, the US has deployed an additional fleet in the Persian Gulf to ensure the safety of the passage through the SH. In 2007 and 2008, the US and Iranian naval forces were confronted several times in the SH. In a possible the US intervention, Iran announced that it would close the strait to all the world traffic. In response to this threat, the US declared that the closure of the strait would be deemed a cause of war.

Throughout the history, all these developments in the SH have caused great anxiety about not only the interests of the US and the countries of the region

but also the interests of all countries that have provided energy needs through this strait. Approximately 88% of all oil exported from the Persian Gulf passes through the SH and it is transported to Asia, the US, and Europe (Rodrigue, 2004). According to EIA data, 76% of the crude oil and condensate of Asian markets and oil imports, 1/3 of China's oil imports and 18% of US oil imports have been supplied through the Persian Gulf via the SH in 2018 (EIA, 2019a). When the aforementioned economic data are considered, it is clearly seen that the SH has a great strategic importance for the whole world's energy transportation. In such a large trade volume generated in the region makes the SH vital geostrategically.

Because of the threats of Iran to close the SH, the oil exporting countries have started to quest of building alternative transportation routes to export their crude oils. These alternative routes are the Suez-Mediterranean pipeline, known as *Sumed*,³ the pipeline to the Saudi Arabian port of Yanbu on the Red Sea, and two pipelines linking northern Iraq (Kirkuk region) to Turkey (port of Ceyhan on the Mediterranean) or Syria. The capacity of Yanbu port in the Red Sea is approximately 4.8 mb/d, and the Sumed pipeline capacity is only approximately 2.5 mb/d (Rodrigue, 2004: 367). These percentages of transportation capacities are quite inadequate compared to the SH's total of daily oil transit volumes (Figure 2).

Figure 2. Daily Oil Transit Volumes from World Maritime Chokepoints



Source: All estimates are given in million barrels per day for crude oil and petroleum fluids based on 2016, 2017 and, 2018 data. The amount of oil passing through the SH, which is number one in terms of oil trade in the world, followed a fluctuating course until 2016 due to the sanctions imposed on Iran. However, with the lifting of sanctions, the amount of oil passing through the SH became more stable and pre-sanction values were reached in 2017 and 2018. <https://www.eia.gov/beta/international/regions-topics.php?RegionTopicID=WOTC>, <https://www.eia.gov/todayinenergy/detail.php?id=39932>.

Economic and Commercial Importance of the Strait of Hormuz

Global energy is constant demand. Energy prices are not stable, and the stability in energy prices and transportation becomes more important than ever before.

³ The Sumed pipeline was opened 1981 and financed by a consortium of Arab countries, primarily Saudi Arabia, Egypt and Kuwait.

Since the oil crises of the 1970s, oil prices show an abnormal increase in each crisis due to various reasons, and this increase adversely affects the economies of developed and developing countries dependent on oil. These exorbitant increases in oil prices cause stagflation (the increase in unemployment and inflation together) in most states, especially the US. This stability is of great importance not only for the countries needing oil but also the importing countries. Because the stability of oil prices and transportation for the Gulf countries that heavily dependent their existence on oil-based incomes is of vital importance. Although these countries invest in hundreds of new projects in many different sectors outside of the oil sector recently, their economies are still dependent on oil trade.

The major contributor to the economic and demographic development of the Gulf countries is undoubtedly their enormous oil reserves. The countries (Saudi Arabia, Iran, Iraq, Kuwait, UAE, Qatar, Oman, and Bahrain), which provide approximately 20% of the world's oil production, are also home to 85% of the oil extracted in the world (Din, 2014). Saudi Arabia is the world's and Gulf's largest oil exporter with around 18% of proven oil reserves of the world. The country's oil and gas sector accounts for about 50% of gross domestic product and 70% of export revenues. In addition to oil, the Kingdom is rich in other natural resources like natural gas, gold, iron ore, and copper. In 2018, Saudi Arabia's total exports amounted to around \$235B, and \$195B of this export was obtained only by oil exports (OPEC, 2019a).

The second oil rich country of the Gulf is Iran. The country has not only petroleum but other natural resources such as natural gas, chromium, copper, manganese, coal, iron ore, lead, Sulphur, and zinc (OPEC, 2019b). Despite the economic sanctions that Iran was exposed to in recent years, its total exports volume was amounted to approximately \$107.435B in 2018. The share of petroleum products under the exports volume were amounted to \$60.198B (OPEC, 2019b). Iraq is another an oil rich country of the Gulf. The total exports volume of Iraq was \$95.256B in 2018, oil exports amount to \$68.192B. Iraq's oil exports account for almost 90% of its total exports (OPEC, 2019c). Other natural resource areas of the country are natural gas, Sulphur, and phosphates. Although it has small surface area, Kuwait is a large Gulf country in terms of oil reserves and oil production. It has fairly prosperous economy. In 2018, Kuwait's oil exports were amounted to \$58.393B. This amount accounted for 90% of Kuwait's total export revenue (OPEC, 2019d).

Another country in high oil and gas production in the Gulf is the UAE. In 2017, its total export value was \$388.179B. The share of oil in this export was \$74.940B (OPEC, 2019e). Qatar is also another rich country in the Gulf both in terms of oil and LNG. Qatar exported 103.4 billion cubic meters (bcm) LNG, which accounted for 30% of the world's LNG trade, to the world in 2017 (BP, 2018). Total value of export of Qatar was \$52.3B in 2017. In this year, Qatar's most export products were respectively petroleum gas \$25.5B, crude oil \$13.4B, refined petroleum \$6.34B, and ethylene polymers \$2.04B (OEC 2017a). Another Gulf country, Oman's total value export was \$31.2B in 2017. In this volume, the top export products of Oman were crude petroleum \$13.6B, petroleum gas \$3.29B, and refined petroleum \$2.81B (OEC, 2017b). Bahrain is the only country having foreign trade deficit in the Gulf. In 2017, Bahrain's total export value amounted to \$5.53B, including \$2.1B refined petroleum, and its

total imports amounted to \$1.53B (OEC, 2017c).

According to the economic data above, oil is like a major source of revenue and development of Arab countries. However, it is also important for Gulf Oil to be transported to the world effectively and efficiently. The SH is not only important strategically and historically, but it also important economically and commercially for both gulf countries and energy poor countries. A large part of the Gulf oil is loaded into the tankers and transported through the SH. According to EIA statistics, in 2018, around 65% of crude oil transported through SH was sent to Asian markets such as China, India, Japan, Singapore and South Korea (EIA, 2019a).

The SH of which narrowest point is 21 miles has enough depth and width to carry the world's largest crude oil tankers. With these features, the SH enables the smooth transition of crude oil tankers with a capacity of 150,000 dead weight tons (EIA, 2017). Due to their geography, the Gulf countries have to carry out a large part of their exports through seaway. This situation makes it necessary for these countries to trade through the SH. As of the late 2018, the price of one-barrel crude oil has reached \$71, and per gallon diesel has reached \$3.1. The transportation disruptions of the SH would immediately raise prices (EIA, 2019c). Thus, economic losses that may occur in the closure of the SH would not only negatively affect the Gulf countries but also the countries whose productions are based on oil imports.

THE ISSUE OF THE STRAIT OF HORMUZ AND THE USA-IRAN RELATIONS

Iran attracts global attention when it threatens to close the SH for the fear of sanctions imposed on the Iranian oil. Due to its strategic importance, the US has deployed a fleet in the Persian Gulf to ensure the safety of the passage through the SH. Because an interference or a threat with the free flow of oil through the SH could be likely to harm the interests of the US and the entire world. Chapter 2 deals with the issue of the SH perspective of states parties. It examines impacts on the US-Iran relations. Here gives some detailed information about a brief history of the US-Iranian relations, economic sanctions of the US imposed to Iran, and the Iranian policies against the sanctions. So, it focuses impact on the other countries relations with Iran such as China, India, EU and Turkey.

A Brief History of USA-Iranian Relations

The relations between the two countries that started in the second half of the 19th century developed in 1856, 1883, and 1944 by mutual diplomatic initiatives. During the WWII, the US supported the Soviets that fought against the Nazis through Iran. In this period, the United Kingdom and the Soviet Union invaded Iran in order to secure the oil regions. In 1941, Shah Reza Pahlavi came into power after the WWII and Iran regained its independence. The western powers have gained concessions in many areas over the country during the rule of the Shah. The concessions obtained especially in the field of oil caused a great unrest

on the Iranian people. Because of this unrest, Mossadegh became the prime minister in 1951 and implemented many reforms, including the nationalization of Iranian oil, until the coup in 1953. However, after the coup many of the sweeping reforms performed in the period of Mossadegh were either abolished or serious arrangements were made in favor of the state (Kuduoglu, 2019). In the 1960s and 1970s, Iran's oil revenues gradually increased. In the context of the Green Belt Project, developed by the US during the Cold War period, Iran became a favorite country until the Islamic Revolution of 1979 in Iran.

These good relations began to break down with the 1973 Oil Crisis. During the crisis, the US asked Iran to reduce oil prices but the Shah responded negatively and Iran no longer became "a reliable partner in the Gulf region" for the US. From this period onwards, the US preferred Saudi Arabia as its most reliable ally in the Gulf region and decided to end its long-standing assistance and support to Iran. The Shah could not overcome the rising opposition within the country and could not prevent the 1979 Revolution. After the 1979 Islamic Revolution in Iran, the Shah took shelter in America for cancer treatment, and a group of pro-Ayatollahs held an attack on the US Embassy in Tehran in 1979. Within this incident, as called "Hostage Crisis", 52 US diplomats were taken hostage for 444 days (Morgan, 2015).

Although Iran agreed to release the hostages with the Algerian Treaty signed on January 19, 1981 (Massaroni, 1982), this crisis ended the diplomatic relations between the US and Iran (Morgan, 2015). After the hostage crisis, the US launched a series of economic sanctions against Iran. As the first step of these economic sanctions, \$11B of Iranian assets were frozen by the American government (Massaroni, 1982). These sanctions started with the hostage crisis and increased with Iran's nuclear program were not only limited to the economy and expanded in the fields of science and the military.

During the Iran-Iraq War (1980-1988), the US indirectly (a large number of reports and information on Iran's war position and its military power) supported Saddam Hussein against Iran and prevented Iran from getting the loans it needed from international financial institutions (Shoamanesh, 2007). The US also kept Iran away from regional and international economic institutions (e.g., the World Trade Organization-WTO) in the context of its isolation policy resulting in serious problems for the Iranian economy. In 1988, the US launched a heavy air strike on Iran to destroy the mines that Iran had laid during the war in some parts of the Gulf. At the end of this attack, Iran had to accept the ceasefire in the war (Ari, 2007). On the other hand, in 1988 the US dropped an Iran Air Flight 655 in Iran's airspace and killed 290 people (Shoamanesh, 2007). This event caused more tension in the US-Iran relations that already strained.

In January 2002, US President George W. Bush labeled Iran, Iraq, and North Korea as "Axis of Evil" (The Washington Post, 2002). In the same year, despite the US reaction, Russian technicians began construction of Iran's first nuclear reactor in Bushehr. In 2003, the Iranian government under the chairmanship of Seyed M. Khatami, a reformist, made various attempts to co-operate with the US in Afghanistan and Iraq to soften ties with the US. However, these efforts were rejected by the Bush Administration. Although he promised to stop

the enrichment of uranium during the period 2002-2006 by meeting with the officials of the International Atomic Energy Agency (IAEA), Tehran continued its nuclear activities in 2004. In 2006, under the leadership of Mahmoud Ahmadinejad, who came to power in 2005, the Natanz nuclear facility was reactivated (Morgan, 2015). In addition to the sanctions imposed on Iran by the UN since 2006, the US began to impose harsh sanctions on Iran.

In 2007, the Bush administration accused Iran of supporting and arming the insurgents in Iraq, and then the US forces raided the Iranian Consulate in Erbil. In this raid, the Iranian diplomats were taken hostage and they were released in November 2007. When Iran announced a long-range missile test and launched a rocket launch into space in 2008, the UN Security Council launched serious sanctions against Iran (Wisconsin Project on Nuclear Arms Control, 2017). During the Obama administration, Iran was declared the most active state to support terrorism in a report (www.fas.org, 2010) published by the US foreign ministry.

Because of the nuclear negotiations between the UN and Iran between 2010 and 2012, firstly a provisional agreement in 2013 and then a final agreement was reached in 2015 between the P5+1 countries (USA, China, France, England, and Germany) and Iran (Kerr and Katzman, 2018: 1). The agreement envisioned the abolition of international sanctions imposed on this country in return for Tehran ending its nuclear program. However, with Trump coming into power in the US in 2017, the relations of two countries started to worsen again. In reaction to Iran's efforts to strengthen Iran's army and weapons, on May 8, 2018, US President Trump declared that their unilateral withdrawal from the nuclear deal with Iran, which was signed during the Obama administration (Kerr and Katzman, 2018: 20). He also gave the signals that the embargo and economic blockades suspended after the abolition of this agreement could be re-applied (Kerr and Katzman, 2018: 28). Although Iran declares that the nuclear agreement would be continued with the state parties, the US-Iran relations are quite tense today.

The Economic Sanctions of the US Imposed to Iran

After the Iranian Revolution in 1979, the diplomatic relations between the US and Iran came to a halt because of the hostage crisis that took place on April 7, 1980. Following this incident, the US launched a series of economic measures and sanctions against Iran. In fact, economic sanctions were initiated to ensure the release of US hostages. However, despite the release of the hostages in 1981, these sanctions have been continued until today. According to Torbat, the official reasons of these embargoes imposed against Iran were the support of terrorism, the search for access to nuclear weapons and the support of groups that used violence against the peace process of the Middle East (Torbat, 2005).

The US's economic sanctions against Iran were initiated by President Carter and continued during the administration of President Clinton to keep both Iran and Iraq under its own control and subjection. In April 1995, it was observed that the embargo of US on Iran was tightened, especially in the areas of trade and

investment. During Obama administration, all economic sanctions against Iran were lifted with the P5+1 countries nuclear agreement in 2015, which aimed to prevent Iran's nuclear capacity from turning into nuclear weapons. However, the current US President Trump accused Iran of providing secret access to the US financial system during Obama's term and argued that it was illegal. He declared that the US was withdrawn unilaterally from the nuclear agreement of the Joint Comprehensive Action Plan (JCPOA) and stated that all sanctions lifted under the nuclear agreement would be reapplied.

The historical process of US's economic sanctions imposed on Iran has evolved as follows:

an order of execution dated on November 14, 1979, which prohibits certain property or interests in the possession of the Iranian government; 7-17 April 1980, which ordered the sanctions to be increased to include all trade and travel bans between Iran and the United States; on January 23, 1984, the declaration of Iran as a supporter of international terrorism, any foreign aid, debt or prohibition of arms transfer to Iran (Katzman, 2019); an order of execution (12613) on October 29, 1987, which provides detailed license procedures for merchandises exempt from the import ban, stating that any product originating in Iran cannot be exported by the United States (www.archives.gov, 1987); the Nonproliferation Act in 1992, which prohibits the transfer and sale of any conventional chemical, biological or nuclear or weapons of unbalanced number and type to Iran and Iraq (www.congress.gov, 1992); an execution order in March 15, 1995, which prohibits a US citizen from becoming parties to contracts for the financing, general management or supervision of the development of oil resources in Iran or in an area over which Iran claims jurisdiction (Katzman, 2019: 1-26); an execution order (12959) on May 9, 1995, which prohibits the exportation of all kinds of goods, technology or services from the US to Iran, including US commercial financing (www.govinfo.gov, 1995); Iran-Libya Sanctions Law, adopted by the US Congress on August 5, 1996, which could not be implemented by the protests of European countries until 2010. This law aimed to impose sanctions on foreign companies investing more than \$ 20M in Iran's oil industry and to prevent access to funds to develop or acquire weapons of mass destruction or to finance terrorism (www.treasury.gov, 1996); an execution order (13059) on August 19, 1997, confirming that US citizens are prohibited from all trade and investment activities with Iran no matter where they are (www.treasury.gov, 1997); a resolution of 1747, dated on March 24, 2007, taken unanimously by the UN Security Council. The decision aimed to tighten the sanctions imposed on Iran's non-suspension of uranium enrichment in its nuclear program (www.iaea.org, 2007); a resolution 1803 adopted by the UN Security Council on March 3, 2008. This decision expanded the scope of nuclear sanctions imposed on Iran (www.undocs.org, 2008); a resolution 1929, adopted by UN Security Council on June 9, 2010. This decision aimed to prohibit Iran from carrying out nuclear-armed ballistic missile tests and to put an embargo against the transfer of large arms systems to Iran (www.undocs.org, 2010);

- comprehensive Iran Sanctions, Accountability and Disposal Law, adopted by the US Congress on June 24, 2010. These sanctions aimed at foreign banks that invest in Iran's energy sector, or sell refined oil to Iran, and operate with designated Iranian banks (Farrar, 2010);

the US Congress passed a law on December 31, 2011, enabling oil importing countries to impose new sanctions on Iranian Central Bank and third country banks if they do not significantly reduce this import within six months (www.treasury.gov, 2011);

the US Congress broadened the threat of sanctions against Iranian companies on January 2, 2013, with the Iran Freedom and Counter-Proliferation Act (IFCA) (www.law.cornell.edu);

- Iran agreed to take steps to stop its nuclear program in return for substantial alleviation of US, UN and EU sanctions according to the JCPOA signed between the P5+1 countries on July 14, 2015 (www.2009-2017.state.gov);
- on May 8, 2018, the US unilaterally withdrew from Iran's nuclear deal and reiterating the comprehensive sanctions against Iran to break away from the global financial system. The Treasury Department of US announced that the sanctions came into force immediately and that foreign companies should terminate their existing contracts with Iran for 90 days or 180 days (DiChristopher, 2018).

The economic sanctions imposed by the US on Iran listed historically above have great negative impacts on both the Iranian economy and the economies of other countries that import large amounts of Iranian oil. However, it is seen that Iran has produced various strategies against these sanctions and minimized the negative effects caused by these US economic sanctions.

The Iranian Policies against the Sanctions

Having been under pressure for more than 40 years since the revolution, Iran performs well below its current potential level. The Iranian economy has undoubtedly been seriously injured by these sanctions. During the sanctions period, Iran's removal from the Interbank Financial Telecommunication Association (SWIFT) system and the deprivation of modern technologies particularly led to a decline in the competitiveness of regional and global markets and a lack of modern technology and equipment. However, all these negativities, Iran continues to be one of the most important actors in the Middle East with its natural resources, well-educated population, advantageous geopolitical position, and old-state tradition (Kausch, 2015). Here it can be said that Iran started to implement policies in the face of sanctions such as zeroing the imports, preventing investments in the oil and natural gas sector, and blacklisting of its Iranian banks. One of the policies Iran implemented in this period was to prefer gray markets⁴ in order to struggle trade restrictions and export its oil to foreign buyers.

⁴ Gray market means that a product can be imported and sold from any country without the knowledge of official importers. This trade is not illegal. However, there is no manufacturer's warranty and the buyer is fully responsible for any failure. For further information, look at: <https://blog.redpoints.com/en/what-is-grey-market>.

In general, sanctions did not prevent Iran from doing nuclear work. Moreover, the need for Iran's rich oil and gas resources led other industrialized countries -especially the Western countries- to pursue a two-way policy against Iran. In order to prevent the US response, these countries applied narrow trade sanctions against Iran while they were continuing to trade and invest heavily on the other hand. Despite all these sanctions, Iran's oil production has grown modestly. On the other hand, in order to deal with sanctions in 2002 and build a more attractive business environment for foreign investments, Iran has made a number of improvements to the Law on the Foreign Investment Promotion and Protection Act (FIPPA).⁵

Because of American isolation, many European companies and financial institutions were forced to stop their activities in Iran, which led Iran to focus its attention on the East rather than on the West (Fathollah-Nejad, 2018). In order to alleviate her concerns such as commercial, national security and nuclear targets, Iran found important strategic partners in the East like China, Russia, and India. The Iranian leadership has gained economic and political support from these countries that it would never get from the West. In order to maximize their political and economic interests, these countries have kept their relations with Iran warm and maintained the oil trade that is a vital issue for Iran.

THE ATTITUDES TOWARDS THE ISSUE OF THE STRAIT OF HORMUZ AND THE TENSION OF POSSIBLE CLOSURE

Undoubtedly, oil is the world's primary energy source and will continue to be in the near future. As long as the industrialized and developing countries such as USA, China, EU, India, and Turkey increase their oil use, their demand for oil is going to increase day by day. In this context, uninterrupted flow from the waterways in the future will become vitally important. It is almost certain that a possible blockage in the SH, located at the exit of the Persian Gulf region and hosting 66% of the world's oil reserves today, will have a major impact on the countries meeting a large part of its energy needs. However, international actors will be the ones most affected from the possibility of closure of the SH. There are few options for exporting oil of the Gulf countries to the outside except for the SH. This dilemma increases the importance of the issue.

Possible Closure of the Strait of Hormuz and Its Effects on International Actors

The Iran-China relations, which are directly affected by the conjunctural changes of the international system, have been maintained steadily since the 1960s. Thanks to the economic reform policy launched in December 1978, China's economic growth has tremendously grown. This growth has led to a continuous increase in China's demand for energy and so China has been highly dependent on the international maritime route to ensure this import. The most important of these routes for China is the sea trade route stretching from the Persian Gulf to the South China Sea, through the Indian Ocean.

⁵ FIPPA is Iran's main foreign investment law, aims to provide the same provision of rights, protections, and opportunities that supplied to domestic investors to the foreign investors.

However, the presence of a variety of security problems on this route leads to occasional disruption of existing transportation. The interruption of energy imports has serious concerns for China. China's lack of control over the waterways has led China to take various measures. In order to ensure the security of its energy imports, it keeps good relations with both energy-rich countries in the region and taking various initiatives along the whole sea trade route like alternative ports, transportation infrastructures, railways, industrial cooperation, and pipelines.

The security of the SH and the continuity of the oil, natural gas and LNG transported from region are of great importance for China. For this reason, China has undertaken the construction of the port of Gwadar in Pakistan, which is 70 km from the Iranian border and 400 km east of the SH and has a strategic position on the main oil supply route (Pant, 2013). Furthermore, China has been developing broad and deeply comprehensive strategic partnerships with many Gulf countries, especially Iran for the last few decades. The partnership between Iran and China is predominantly composed of energy trade, arms sales, and defense cooperation.

In fact, Chinese Iranian relations have expanded beyond the economy to the political sphere. Although China has been following a cautious policy during the US sanctions imposed on Iran, it has taken important steps in order to ease the problems of Iran. For example, despite Washington's pressures, Beijing has opposed the discussion of the Iran's nuclear file in the UN Security Council. At the same time, a memorandum of understanding was signed between the Chinese oil company Sinopec and the National Iranian Oil Company for the development of the major Yadavaran oil field in late 2004 and China has been a major investor in Iran (Downs and Maloney, 2011). In short, the relationship between China and Iran progresses in the context of a kind of win-win policy. On one hand while China sees Iran as an excellent energy supplier, China is seen as a powerful balancer to the West by Iran on the other hand. In this context, it can be said that they are significantly dependent on each other. If the SH is closed, China will probably avoid a major conflict in the Persian Gulf. However, as the prospect of war between the US and Iran, including the Gulf monarchies, will have a devastating impact on Beijing's energy security and investment projects, China will have to politically protect its interests in the Persian Gulf (Scita, 2019).

Another international actor to be most affected in a possible closure of the SH is India. The Indian-Iranian relations, which were not so much close to each other during the Cold War, gained rapid momentum in the post-Cold War period. The most important factors bringing the two countries together were Iran's search for ways to get rid of international isolation and a desire for strategic autonomy in India's foreign policy (Kumaraswamy, 2008). Additionally, the relations between India and Iran have reached the level of close economic and strategic partnership since the Delhi Declaration⁶ In 2003. The conditions of bilateral relations are determined by geopolitical and economic priorities such as energy trade, infrastructure development, and security cooperation (Pethiyagoda, 2018).

Today, Iran is the third largest oil supplier of India after Iraq and Saudi Arabia.

⁶ See more "Delhi Declaration": The Republic of India and the Islamic Republic of Iran, "The New Delhi Declaration", <https://www.mea.gov.in/other.htm?dtl/20182/The+Republic+of+India+and+th>, (Accessed: 30.06.2019).

India imported 24M tons of crude oil from Iran at the end of the fiscal year 2018-19 (www.newslick.in, 2019). India conducts effective policies to become a global power. One of these is the policy of access to Central Asia to increase its commercial activities. In this way, India undertook the development and restructuring of the Chabahar Port⁷ of Iran. While India is trying to increase trade with the Central Asia, it aims to break the increasing influence of Pakistan in the region (Berlin, 2006). As for another partnership project between Iran and India is International North South Transportation Corridor (INSTC), a pipeline project that connects Mumbai via Bandar Abbas with Europe (Singh, 2012).

However, the relations between the two countries have become quite complicated in recent years. India has a policy of equilibrium between the US and Iran in economic sanctions imposed on Iran. Moreover, it wants to maintain relations with Iran, where it meets most of his energy needs, as it cannot ignore of the US's warning that it should cut its ties with Iran. Although India had realized 45% of the oil payments to Iran with rupees and the rest through the Turkish and German banks during the economic sanctions imposed on Iran (Purushothaman, 2012). However, it remains unclear how India reacts to new Iranian sanctions today. Because India's oil imports from the Gulf countries account(s) for 42% of total oil imports (www.weforum.org, 2018). Any disruption in this energy imports from the Gulf will have serious implications for India's economic growth.

The EU is another international actor that can contribute to the solution of the SH issue or suffer the most damage in its possible closure. The relations between the EU and Iran have followed a volatile process throughout its history. However, the needs of both parties necessitated the development of economic, commercial, and political ties between them. Although the dialogue between the EU and Iran was initiated in 1995, it was only possible in 2001 to cooperate under a contract between the two sides. Overall, the EU remained neutral in the Iran-Iraq War and conformed to arms embargo which implemented by the US against Iran. However, Germany did not cut its economic and trade relations with Iran in this period as an EU member.

On 19 November 2001, the European Commission approved the proposal to start negotiations on a Trade and Cooperation Agreement with Iran (TCA) (www.europa.eu, 2019). After 2001, the top EU leaders made diplomatic visits to Tehran to work more closely with Iran and coordinate issues related to common interests (Khan, 2003). On June 20, 2003, the EU Council made a call to Iran and asked the IAEA auditors in nuclear facilities to sign the Additional Protocol to the IAEA, which allows them to conduct audits without prior notice (IAEA, 2003: 10). Thus, upon the invitation of Iran, the Foreign Ministers of France, Germany, and the United Kingdom visited Tehran on October 21, 2003 and the 'Tehran Declaration' was signed between the parties. While Iran agreed to sign the Additional Protocol with the Tehran Declaration and voluntarily suspend uranium enrichment, the EU accepted that Iran had the right to develop nuclear energy for peaceful purposes (BBC News, 2003).

However, in 2006, the EU began implementing a series of sanctions which imposed by the United Nations Security Council (UNSC) to stop Iran's uranium

⁷ "Chabahar" is situated on the Makran Coast of the Sistan and Baluchestan province of Iran, and it is officially designated as a Free Trade and Industrial Zone by Iran's government. India has assisted in development and construction of the Chabahar port.

enrichment for nuclear weapons production. Since then, in addition to the implementation of UNSC sanctions⁸, the EU has implemented a wide range of autonomous economic and financial sanctions to Iran, including restrictions on various commodity trade, financial sector, measures in the transportation sector, travel, and asset freeze (www.consilium.europa.eu, 2019). The EU-Iranian relationship has again entered a positive process thanks to the JCPOA.⁹ In this context, with the exception of some restrictions,¹⁰ the Council decided to lift all nuclear-related economic and financial sanctions of the EU imposed against Iran on 16 January 2016 (www.consilium.europa.eu, 2019).

Together with China and the UAE, the EU is one of Iran's main trading partners in both imports and exports. It used to be the first trading partner of Iran before the current sanctions regime. e.g., in 2005, the EU ranked first with a share of 31.6% among Iran's trade partners while Iran had a 1-1.5% share in the total trade share of the EU (www.webgate.ec.europa.eu, 2019). In 2018, the EU fell to second place with 20.4% share among Iran's trade partners (www.webgate.ec.europa.eu, 2019). Among the EU's trade partners, Iran's share declined to 0.5% (www.webgate.ec.europa.eu, 2019).

According to this data, despite there has been a decline in the EU-Iran mutual trade rates over the years, it is observed that there is no major change in the product variety in the trade between these two partners. When the product groups imported by the EU from Iran are examined, it is seen that most of them are energy (mostly petroleum) products (www.webgate.ec.europa.eu, 2019). Iran's imports from the EU are mostly machinery, equipment, chemicals, automotive and food products (www.webgate.ec.europa.eu, 2019).

In addition, six member countries of the GCC represent an important region for trade in the EU. In 2016, GCC became the EU's fourth largest export market. The EU-GCC trade steadily increased between 2006 and 2016, and the total trade between them increased by 53% in ten years. In 2017, the EU-GCC's total exports of goods amounted to €143.7 billion, while the EU's exports to the GCC amounted to €99.8 billion and the EU's imports from GCC amounted to €43.8 billion. The EU has thus given a significant trade surplus in its mutual trade with GCC. While the EU exports mainly industrial products, machinery, transportation equipment and chemicals to the GCC countries, it imports mineral fuels, mining products, and chemicals from the GCC countries (www.ec.europa.eu, 2019).

Almost all the EU trade with Iran and the GCC countries is provided through the SH. Thus, the security of the SH has great importance for the EU. The increasing dependence of the EU on foreign energy increases continuity and security of energy trade. It is inevitable that the potential tensions in the region negatively affects the EU and the interests of the countries in the region. For this reason, the EU acts to maintain moderate relations with Iran and pursues a balanced policy

⁸ See more: "Resolution 1737 (2006) Adopted by the Security Council at its 5612th meeting, on 23 December 2006", [https://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1737\(2006\)](https://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1737(2006)), (Accessed: 27.05.2019)

⁹ This plan, adopted by the UN Security Council, 'E3/EU+3' (France, UK, Germany and the EU+ the US, Russia and China) and Iran on July 20, 2015, has aimed at ending the restrictive measures against Iran.

¹⁰ See more: "Iran: EU Suspends Certain Sanctions as Joint Plan of Action Enters into Force", <https://www.consilium.europa.eu/media/21850/140660.pdf>. (Accessed: 27.05.2019).

in order not to confront the US in the region.

Another important actor in the region is Turkey. Iran's tension with the US forced Ankara to pursue a policy of equilibrium. After the Iraq War, causing a great instability, Turkey, which did not want a new war in its region, has embarked on mediation activities to ensure the resolution of the problem between the West and Iran by diplomatic channels (Pieper, 2013). The most important development regarding the mediation to solve the nuclear issue of Turkey has experienced in May 2010. A triple summit was held in Tehran with the participation of Brazil, which had a similar approach to that of Ankara and moderate relations with Iran. By the end of the summit, Iran agreed to make uranium enrichment that is necessary for its nuclear activities in the abroad.

Although Turkey has stated there is no need to impose sanctions on Iran by this new agreement, the West did not accept it. However, the process of Turkey's efforts for a diplomatic solution continued in January 2011; the P5+1 and Iran were brought together in Istanbul. The US unilateral withdrawal from the agreement as a way to re-apply all suspended economic sanctions against Iran in 2015 also led to the Turkey-Iran relations entered a new era. With the announcement of the new sanctions package dated November 5, 2018, both the US targeted Iran and many states stopped or greatly reduced oil purchases from Tehran. Within this package, the US Government targeted to reduce Iranian oil imports to zero. In this context, the US has granted 180 days of exemption Iran's oil exports to eight countries -in China, India, South Korea, Japan, Italy, Greece, Taiwan, and Turkey (Borger and Wintour, 2018).

Turkey had initially stated not to comply with the exemption process and to continue receiving oil from Iran. Although Turkey has endeavored to extend the duration of the exemption, it failed in this attempt. Consequently, as of May 2019 Turkey halted oil purchases from Iran. According to the provisional data, TUPRAS imported 100,000 tons of crude oil from Iran in April 2019 (Daily Sabah, 2019). It is expected that the new crude oil route would be the countries such as Iraq and Russia and partly Saudi Arabia. Besides, Turkey announced that would continue the purchase of natural gas from Iran through the BOTAS. According to Reuters, an unnamed Turkish official, *"Ankara does not find correct the sanctions imposed on Iran, but we will respect the decision of our ally, the United States, we believe that the exclusion of Iran will not be a solution to the problem,"* said (Pamuk, 2019). Turkey would seem to be less harmed actor in the region in the event of the closure of the SH, when compared to the other countries. Because Turkey shares a border with Iran and this made easier to import crude oil and natural gas. When the data are analyzed in the past years, it is observed that Turkey's exports to Iran increased during periods of the imposed sanctions against Iran. Due to the fact that pharmaceuticals and foodstuffs are not covered by sanctions, trade in these products is likely to increase thanks to border trade. It could be rising in economic activity in border provinces. Turkey meets its crude oil needs mainly from Iraq and Iran using the pipelines. In the event of a possible closure of the SH, Turkey will not be affected too much. However, a possible war that would break out in the Gulf, Turkey will be strongly influenced. In a such situation, in order to solve problems, Turkey's political intervention will be inevitable. Because Qatar, one of the Gulf countries, have a huge trade volume with Turkey in recent years and Turkey does not want to lose this trade partner.

Possible Results of the Closure of the Strait of Hormuz

Iran threatens at every opportunity that the US warships would not allow it to pass through the SH, and if necessary, close the SH to all the seaways. The ongoing bitter legal dispute between the US and Iran over the right of foreign warships, military aircraft and submarines to cross the SH has been increasing for decades and this dispute poses a potential conflict risk between them. The disagreements over the right to legal passage, and a possibility of a potential conflict risk in the SH continue to be a vivid subject that has led to strategic consequences that could affect global peace and security by overcoming regional peace. Here, this chapter of study explores possible results of the closure of the SH; begins with the challenges of the closure of the SH in terms of international law; then examines challenges to arise in terms of regional and global security, and finally ends with economic-commercial challenges in terms of energy security.

Challenges in Terms of International Law

Although transitional procedures from international straits in the world have been prearranged by the Convention on the Territorial Sea and the Contiguous Zone (CTS) and the 1982 United Nations Convention on the Law of the Sea (UNCLOS)¹¹ (but implemented in 1994), these procedures remain a continual problem all over the world. This problem sometimes arises from the objections of non-parties of these conventions and sometimes in the location of some straits (such as narrow strait). The SH has both problems. The fact that neither the US nor Iran is a party to UNCLOS causes various differences of opinion between the two rivals, related to transition from the SH. Iran claims that the UNCLOS innocent transitional provisions only have the right to use the States Parties to the Convention.

On the other hand, the US argues that the right of innocent passage in UNCLOS originates from traditional international laws and therefore the right of passage is going to be used in the countries not party to the Convention (Nadimi, 2019). The US claims that it has an unlimited freedom of navigation in the SH and follows a noncompliant policy in this regard. However, Iran states that it has the right to regulate the traffic in the SH and, if necessary, it would limit the passage of all foreign warships from the strait. Both Iran and the US insist on interpreting the law in their own interests, and this legal dispute causes the already bitter US-Iranian relations to be further strained by existing instability.

The passage of ships from the SH has been carried out smoothly until the middle of the twentieth century. However, with the declarations of Iran's in 1959, and Oman's in 1972, their territorial waters was exceeded from 3 nautical miles to 12 nautical miles and thus, the whole of the strait's territorial waters shared between the two countries. As Iran and Oman extend their territorial waters to 12 miles, the SH became completely territorial waters, and the absence of any ad hoc agreements on transitions deactivated the right of free passage from the SH. Since that time transition from the SH began to be an important problem. On the

¹¹ See More: "United Nations Convention on the Law of the Sea", https://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf, (Accessed: 30.05.2019).

basis of Article 3 “Breadth of the territorial sea” of UNCLOS,¹² Iran argues that has the right to control 20 miles of the SH, and the warships of all countries that cross this section of the SH should provide information to it.

Challenges to Arise in Terms of Regional and Global Security

In the global environment, as long as the oil continues to be the most consumed fuel and energy source in the developed and developing countries of the world especially in the US, China and India, easy access to energy sources has become more important than ever history. This situation makes the security of the Middle East maritime trade route meeting almost 60% of the world’s energy needs vital. Any blockage on this route due to a possible conflict will undoubtedly lead to economic losses that are difficult to recover for all countries in the world.

The fact that the SH, the only exit point of the Gulf, has become a conflict area will lead to great security problems both for the countries of the region and the countries that have high interests in the region. Undoubtedly, the US is at the top of these countries. Since the beginning of economic sanctions imposed against Iran after the 1979 Revolution, the US has continued to increase its military presence in the region in order to secure both its trade and allies. In this process, the US provided a large amount of arms to its allies (sales or supply to its bases) in the region to ensure that they could constitute effective counterbalances against Iran. These attempts led Iran to increase rapidly its military capacity, and the security balance in the region has become quite disturbing.

The ongoing heated debates on the SH today threaten the national security of Iran and the countries of the region. If the US intervenes in Iran’s oil ships with the aim of zeroing the Iran’s oil trade, Iran threatens to close the SH to all maritime traffic. In a meeting with his workers at an April 24, 2019, Iranian Supreme Leader Ali Khamenei clearly conveyed this threat to his interlocutors: “If our oil does not pass through the SH, neither will other countries’ oil” (Savyon and Kharrazi, 2019). However, does Iran really have the ability to block maritime traffic in the SH? For most experts, yes.

Iran has the opportunity to harass the tanker traffic taking a series of measures without obstructing all traffic on the SH (Katzman et al., 2012). However, such a situation may lead to severe chaos in the region. As a matter of fact, the attack on two oil tankers in the Gulf of Oman on June 13 can be shown as a best example for this situation.¹³ While the US, UK, and Germany claim that they are almost certain that the attacks were carried out by Iran, Iran has explicitly denied these allegations. These attacks have had great repercussions in the world. While the US sent 1,000 additional troops to the Middle East (Morin, 2019) oil prices instantly rose by \$2. Another incident that strained relations between the US and

¹² UNCLOS, “Every State has the right to establish the breadth of its territorial sea up to a limit not exceeding 12 nautical miles, measured from baselines determined in accordance with this Convention.” https://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf, (Accessed: 30.05.2019).

¹³ On June 13, 2019, two oil tankers, the Japanese Kokuka Brave and the Norwegian Front Altair, were attacked by unidentified persons or persons. While the Front Altair was sinking, the crews on both tankers were evacuated successfully. Retrieved from: <https://www.ndtv.com/world-news/gulf-of-oman-front-altair-norwegian-tanker-attacked-in-gulf-of-oman-3-explosions-reported-2052681>, (Accessed: 18.06.2019).

Iran took place on June 19, 2019 near the SH. In this incident, Iran announced that a \$110M MQ-4C Triton-type unmanned aircraft was shot by the Khordad-3 air defense system for violating the airspace (Walsh, 2019). After the event, international airlines decided to change their routes in the Iranian airspace in the Gulf (Topham, 2019).

As can be seen from these events, both sides in the region are taking steps to harass each other. So, what are the different scenarios that can arise in the region? Possible closure scenarios of Iran's SH can be as follows: It may close the SH or other parts of the Gulf to all ships attempting to cross the waters, irrespective of their purpose. It may seize and arrest the crew of the ships that pass through the SH or other parts of the Gulf, by claiming they were attacked. It may open harassment fire to block the routes of ships, speed boats or planes passing through the SH or other parts of the Gulf. It can systematically attack ships crossing the Strait or other parts of the Gulf using rockets, artillery and navigational missiles, planes and mini submarines (Katzman et al., 2012).

In short, any conflict in the SH will directly affect both regional and global security. This will lead to an increase in the long-standing hostile attitudes among the countries of the Region and give rise to a significant chaos that powerful countries with huge interests will face.

Economic-Commercial Challenges in Terms of Energy Security

Chokepoints, commonly used along global maritime routes, are narrow channels and they are critical to global energy security. Even when oil does not flow temporarily from a large chokepoint, it leads to significant supply delays, higher transport costs, and higher world energy prices. Although there are alternative crossing routes to most chokepoints, this is not the case for some. The best example is the SH. According to 2018 data, the daily average flow of 21 mb/d petroleum products, which is equal to approximately 21% of global liquid oil consumption, has transported through the SH (EIA, 2019a). However, although the flow of oil through the SH has been stable since 2016, when imposed sanctions against Iran were lifted, it was interrupted periodically with the reapplied of the sanctions.

The increased tensions between the US and Iran continue to pose a secure risk of oil supply from the Middle East. This situation leads to an increase in crude oil prices. This case was clearly tested when the US drone was shot by Iran. The day after the event, crude oil prices rose sharply. The American benchmark West Texas Intermediate rose 6.8%, while the international benchmark Brent crude rose by 4.6%. The international benchmark Brent crude, which closed at \$65.08 on Tuesday, was traded at \$65.44 per barrel on Thursday. On the other hand, the American benchmark West Texas Intermediate closed the previous session at \$58.80 per barrel, opened the new session with \$59.11 per barrel by 0.5% increase. The same situation was seen also when Iran threatened to close the SH on April 22. Brent crude oil jumped 2.88% and WTI soared 2.66% (Kutlu, 2019).

The possibility of a military conflict between the two parties directly affects global energy security. The events, after the tension in the Gulf, deeply affected the countries where oil is particularly traded from the region. Some of these

countries, e.g., India, had to send their navy to the region in order to sustain the safety of their merchant ships. If the SH becomes a possible conflict zone, the entire flow of oil in the region could cease and oil prices could rise rapidly all over the world.

CONCLUSION

Oil is the world's primary energy source and going to continue to be also in the near future. As long as the industrialized and developing countries such as China, EU, India, and Turkey increase their oil use, their demand for oil is going to increase day by day. In this context, uninterrupted flow from the waterways in the future will become vitally important. Despite its rich energy resources and strategic geographical location, Iran is going through a very difficult process. The country has been struggling for a long time under intense pressure from the US. Iran has successfully prevented sanctions with its resistance strategy until 2015. However, this strategy only provided temporary solutions to the problems. In particular, US economic sanctions have a profound impact on life in the country. The lifting of sanctions as a result of the JCPOA, created a great excitement in Iran. However, the US withdrew from the JCPOA in 2018 and launched to re-impose the economic sanctions. Iran's crude oil exports declined by 80% after this event.

The US has been forcing Iran to a more stringent agreement through the economic sanctions. Moreover, the situation became even more complicated when the US announced that it would stop all Iranian oil trade if Iran did not step back. In the face of all these pressures, Iran has threatened to close SH due to the fear of sanctions imposed on Iranian oil and has attracted the attention of the whole world. The incidents, which were experienced in the region, such as seizures of oil tankers, drone attacks and mutual power demonstrations have made the situation even worse. Because of its strategic importance, the United States deployed a fleet in the Gulf of Persian to secure transit through SH.

Iran needs a long-term and sustainable policy to solve this issue. This policy should be bilateral and the parties should take constructive steps in this context. Because this problem cannot be solved only by the steps taken by Iran. Iran should review its relations with its neighbors in the region, endeavor to resolve the problems between them, and choose cooperation, not conflict. Other countries of the Gulf should take serious responsibilities at this stage and stay away from attempts to increase tension in the region. This is because the economies of these countries are directly dependent on their oil trade and the stability in the region is the main component of this trade.

The US, which is the main source of the problem, should take constructive steps in this process. Because an isolated Iran will continue to be a serious threat to both the US and all countries in the region. For this reason, the US should try to solve its problems with Iran on the basis of international law and this should be carried out with the support of international organizations such as UN and IMF. The EU is another international actor that can contribute to the solution of the SH issue or suffer the most damage in its possible closure. The EU expressed great regret that US President Trump's decision about to withdraw from the JCPOA.

However, EU thinks that the implementation of this plan was very important for the security of the region. As long as Iran continues to fulfill its nuclear commitments, initially the EU has declared that it would be loyal to the full and effective implementation of the agreement. Although the EU has repeatedly stressed that the removal of nuclear sanctions has a positive impact on trade and economic relations with Iran, it is inevitable that EU-Iran relations will be negatively affected by new sanctions of the US against Iran.

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