



The Real Iran Threat to the Strait of Hormuz (Causing Oil Prices to Skyrocket)

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Late last month, the Trump administration kicked its “maximum pressure” campaign against Iran into high gear when it announced that it would no longer provide waivers to countries like China, India and Japan to continue buying Iranian oil without facing sanctions. These countries and their respective companies now face the prospect of being excluded from the American market if they don’t immediately stop buying Iranian crude. The push is part of the White House’s effort “to bring Iran’s oil exports to zero” as a way of ratcheting up economic pressure on Iran’s ayatollahs, National Security Adviser John Bolton has explained.

Iran, meanwhile, has responded to the Trump administration’s recent decision by reviving an old threat. “If we are prevented from using it, we will close it,” Alireza Tangsiri, head of the IRGC’s navy, told Iranian media. Tangsiri was referring to the Strait of Hormuz, a key strategic waterway through which roughly one-fifth of the world’s oil passes.

Other Iranian officials have made similar statements. Over the weekend, General Mohammad Bagheri, the Iranian military’s Chief of Staff, warned that his government would close the Strait if it faced more “hostility” from the United States—that is, if Washington takes concrete steps to limit Iran’s ability to sell its oil abroad.

Such rhetoric is certainly not new. Over the years, the Iranian regime has repeatedly threatened to force a closure of the Strait as part of its ongoing political tensions with the West—most recently last December, when Iranian president Hassan Rouhani warned that such a move was on the table if the White House went ahead and targeted Iranian oil exports.

But for all of Tehran’s bluster, an outright Iranian closure of the Strait remains highly unlikely. That is because, even though the Iranian regime has the military might to do so (something the U.S. intelligence community has been warning about for years), the strategic consequences would be ruinous for Tehran.
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As one military official explained privately a few years ago, “if Iran closes the Strait, it will remain closed.” In other words, such a step would be treated as a *casus belli* by the U.S. military, which would respond decisively with an open-ended blockade of its own. That would have disastrous consequences for the Iranian regime, which relies on oil exports for more than a third of its federal budget.

It would also play right into the Trump administration’s hands. For now, Iranian authorities are still hoping that its major energy clients will keep buying its crude despite the U.S. pressure. But “business as usual” would become impossible for those countries if the United States takes strategic control of the Strait.
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None of this means Iran isn’t a real threat in the Strait, however. The Iranian government could wreak real havoc on the global economy not by closing the Strait outright, but rather by narrowing it. By limiting commercial traffic flowing through the crucial waterway (for example, via military exercises), the Iranian regime can successfully drive up the marginal price of world oil without providing the United States with a clear justification to act.

Moreover, because America’s Gulf allies would also benefit from a hike in the price of world oil, their reactions to Iran’s manipulation of the Strait would likely be muted—at least as long as Iran proves itself to be a responsible custodian of the waterway. The aggregate result would be a more resilient Iran, with higher oil prices buttressing the Iranian regime even as the total volume of its exports declines.

That appears to be precisely what officials in Tehran are thinking. Iran’s navy has just announced plans to conduct joint drills with Russia near the Strait of Hormuz in a not-so-subtle signal to the West that it has both the will and the means to affect maritime traffic there if provoked.

In announcing an end to oil waivers, administration officials expressed confidence that the move wouldn’t fundamentally upset the global energy market. But jitters over the potential consequences of Trump’s policy have already driven the price of oil upward. Iran now has the ability to make the situation even worse with its military posturing in the Strait. This, in turn, makes the administration’s high-stakes Iran policy riskier still. Because, in order to be considered a success, the White House won’t just need to constrain Iran’s rogue global behavior. It will also have to prevent Tehran from manipulating global energy markets in its favor.

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