

Iran own economy.
the largest part of the



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BUSTER**

Iran controls the 6. 4km stretch Strait of Hormuz.

This is a vital gateway for oil which is going to the west. Iran did this to try to gain advantage of the decision of the west to inflict sanctions on the nation.

The west had plotted to control oil trade by Iran due to its controversial nuclear program. About 80% of Iran's external revenue gained from oil exports. The decision was met with different reaction from the world.

The world's oil supply that passes through the strait is approximately 39%. Closing the Strait of Hormuz will have enormous economic impact on the world economy. The Strait of Hormuz allows a fifth of total oil destined for the world to pass through it. The world might view Iran to be bluffing, as closing the strait would harm Iran's economy as much as the countries to which the oil is destined. Closing the strait means that Iran strangles its own economy.

The largest part of the earned government revenue comes from the stretch. Petroleum accounts for the huge revenue earned and most of Iran's exports support this statement. Iran depends on the Strait for crude oil shipment, as well as many other Gulf countries. The fact that Iran's pipeline is the cause of these issues, it places the country in a desperate need for the strait. The country is not equipped to construct main pipelines to export their oil products. This means that they cannot afford to do away with the tanker method of exporting the oil. Attempts to close the strait for a long period in trying to cripple economies of the west will damage and cripple Iran's economy the most (Dougherty and Wilkinson par.

4). The cost of shutting down the Strait of Hormuz is also enormous. It would incur formidable military costs to maintain the closure of the strait. If Iran

closes the strait, it will face dyer military consequences' from the west. This will bring the war in Iran.

The military conflict will come from the west, other supporting nations in the Arab league and oil dependent economies. This conflict plays a role in the strengths of the west as the gulf countries gravely affected by the shutting down the Strait of Hormuz. This means that many Arab nations affected by the closure would offer grounds for aerial and naval attacks on Iran. Iran cannot sustain any war with a united west front and Gulf allies. Their military equipment is inferior and outdated compared to the west. This action inflicts financial strains in trying to elongate a losing war for no financial gain. In the era when many states want to have an opportunity to attack Iran's nuclear reactors, Iran would be engaged in a losing battle. The current rebellions in Iran will weigh towards the west (Iran threat, par.

4). Iran lost close ties with Saudi Arabia and Bahrain. They depend on Qatar and UAE for backing of their policies. In this case, the close ties Iran has with Qatar will diminish with the act of closing the strait. The closure will gravely affect Qatar and the UAE as they use the strait for their exports. This will ruin financial ties between the two states dampening further Iran's economy.

Iraq will lose a lot from the closure and the trade ties emerging with the Shiite government will end (Hausman and McPherson 89). Globally, many other countries would end their ties with Iran. The act will make oil dependent economies seek for new sources for the product they require. The world would start focusing on development of other petroleum sources, such as Canada. Other energy sources would also be sought. Both of these

solutions are inadequate for Teheran. The closure of the Strait of Hormuz would be suicidal to the economy of Iran. The western economies' dampened by the crisis is nothing compared to what Teheran would experience.

Most of Iran's imports of consumer goods, food and gasoline shipped through Hormuz. Closing it would mean Iran is strangling itself from imports it requires (Alfaggy 87). The crude oil prices elevated by \$2 per bbl within a day. Therefore, closure would raise the commodities price in the international markets. There are measures taken by the military across the gulf to protect the oil tankers through the region. This military activity supported by the various governments. If the cost, of protection factored in the crude oil prices, then the price per gallon of gas would shoot to around \$11 (Magee par.

5). The arrangement worked fine for people who considered international security. This was tailor made to stop Iran from continuing with the production of nuclear facilities. It seems that Iran has decided not to go down alone in the economic downfall that will result into the sanctions to its nation. Iran has now thrown a spanner in the works by threatening to block the Strait of Hormuz. We cannot confirm whether they have the capability to do so or not, but we know for sure the financial implication the world would bear. Now the west has to rethink on its stand on the bluff. If it faces the situation and carries on the sanctions, the world bears the consequence, if not then they swallow their pride.

We have to wait and see the implications portrayed.

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