

Conflict in the Persian Gulf is Still Possible, and Asia Should be Prepared

By **José Clavijo**

Abstract

Without a unifying security and trade framework, the absence of a concerted Asian response to the recent attacks on Saudi Arabia oil facilities is understandable. However, this article argues that if there is one common area of concern where the Asian economies can overcome their grievances and co-operate, it is the Persian Gulf. Asia is, after all, the region with the most vested interest in its long-term stability.

The impact of the recent attacks on Saudi Arabia's largest and most important energy facilities has largely receded from the media limelight. Regional tensions have simmered down, and there are indications that [Riyadh is making discreet diplomatic overtures to Teheran](#) aimed at reducing the chance of hostilities. The prospect of war in the Persian Gulf has been averted once again — the second time in just several months. And though the strikes resulted in the highest one-day oil price increase in decades, the price now is [below the level it was preceding the attacks](#).

But the conditions that could lead to an eruption of hostilities remain latent. The United States is still bent on subduing Iran and has now increased sanctions through its faltering policy of “[maximum pressure](#)” — which is the reason Teheran became more confrontational in the first place. And despite the apparent desire of both parties to de-escalate, the entrenched Saudi–Iran geopolitical and sectarian rivalry in the region is still very much alive.

Saudi Arabia Matters

While it has receded from the headlines, it is clear, however, that the impact of the strikes on the energy market and on the geopolitical situation will last although production at the damaged facilities has returned to normal. The attacks laid bare the vulnerability of Saudi Arabia's energy and overall infrastructure and resulted in the [single largest daily oil supply disruption in history](#). The operation itself was a low-cost one, but it had an outsized impact, effectively crippling the world's largest oil processing and stabilisation centre. (Though Tehran denies any wrongdoing, circumstantial evidence makes it the main suspect — the strikes are consistent with its asymmetric strategy of employing limited resources for maximum effect while maintaining a modicum of plausible deniability.)

The ability of Iran and its proxy forces in the region to strike Saudi Arabia's critical infrastructure tarnishes the Kingdom's reliability as a pivotal oil producer and exporter. The attacks also raise questions about Riyadh's future capacity to protect the flow of oil — particularly given the embarrassing failure of its advanced air defence system.

Though the Kingdom says production has been restored to normal levels, major uncertainties remain. The current oil market seems [well supplied](#), but further attacks on its energy infrastructure or, worse, an outbreak

of hostilities in the Persian Gulf, would disrupt global supply and drive up oil prices at a time of slowing economic growth. Saudi Arabia is a pillar of the global energy market — the world’s second-largest oil producer and the biggest oil exporter. It is also a linchpin of the [Opec+ alliance](#). Perhaps more significantly, it has most of the [world’s excess production capacity](#), a primacy the Kingdom has expediently used to stabilise markets and prices when it deems necessary. Even though other countries can increase their output, none has the Saudi Arabia’s leverage.

Regional Rivals

The strikes will also have geopolitical consequences for the region, as tensions could increase in an already volatile area that has been precariously close to war several times in recent months - not just in the Persian Gulf, but in the Levant as well.

For one, they put the spotlight on the protracted geopolitical and sectarian rivalry between Riyadh and Tehran. The contest is grounded in Iran’s attempts to expand its influence in the Middle East and acquire strategic depth, while Saudi Arabia is intent on containing it and preserving its position as the status quo power. Both have been involved in proxy wars that span the Shia “crescent” and Yemen. Tehran’s comparatively advantageous position vis-à-vis Riyadh in these localised conflicts has until recently precluded it from initiating a direct military confrontation. It did not have to. By developing nimble strategies that exploit the region’s inherent turmoil, the Islamic Republic has obtained high returns with minimal investments both in matériel and personnel.

But that has changed since the US’s unilateral withdrawal from the Iran nuclear deal and enforcement of the “maximum pressure” campaign. If Tehran is to bear severe economic sanctions and an oil embargo, it seems determined to share the ordeal with its regional nemesis. It is a risky and perhaps desperate gamble. But contrary to the erratic policies and messages emanating from the White House, it is a more coherent one. Saudi Arabia probably cannot lie idle in the face of an emboldened Iran that is seemingly intent on disrupting the Kingdom’s economy.

A Saudi–Iran War

The prospect of war between the two regional powers has arisen in the past. Tensions last reached a tipping point in late 2017, when the Kingdom [accused Tehran of direct military aggression by providing missiles to the Houthis](#). The main scenarios for a confrontation then included a Saudi response to the use of Iranian-supplied missiles to hit a major city, causing high casualties.

The current [lack of a geopolitical risk premium on oil prices](#) signals a belief that there will be no conflict in the region. Indeed, most analysts do not foresee a closing of the Strait of Hormuz by Iran to halt the flow of oil. Still, given the lingering tensions in the Persian Gulf and the regional and global repercussions of a conflict, it is important to speculate on how a war would play out.

An eventual showdown would probably begin with Saudi retaliation at dogged Iranian direct and indirect aggression. The war would be fleeting, but potentially devastating. Saudi Arabia possesses both a technological and tactical advantage. The Kingdom is a major global arms purchaser, with a [defence budget five times that of Iran](#).

Initial developments would be fairly predictable. It would not be a territorial war, as there is no common land border, and Iraq serves as a determined buffer state. A naval confrontation would be restrained as both navies are limited in size and reach. It would most probably [end up being an air war](#), with Saudi Arabia’s fleet of advanced US and British fighter planes dominating the skies and penetrating deep into Iranian territory. The air battle, though, could swiftly become an economic war, with both countries targeting each other’s vital infrastructure. The Saudis and their Gulf allies are capable of causing considerable damage to Iran’s port facilities and its energy and other key industries. Nevertheless, the economies of both countries are highly dependent on the oil and gas industries, and thus considerably [vulnerable to aerial attacks](#). Both would suffer.

Even though Saudi Arabia has superior firepower, Iran has a larger capability to wreak havoc by both conventional and irregular means. Tehran has the largest ballistic and cruise missile force in the Middle East, one that can potentially overwhelm Saudi defence systems, [targeting oil installations and export infrastructure](#) as well as vital facilities such as desalination plants and electric grids in urban centres. Revolutionary Guard speedboats and mini-submarines could launch [swarming attacks against Saudi shipping and port facilities](#). Iran can also destabilise Saudi Arabia domestically by increasing support for the disenfranchised Shia majority community in the Kingdom's oil-rich and strategic Eastern Province, or for the Saudi Houthi community living along its southern border with Yemen.

An Extended Persian Gulf Conflict

Such a war would not be limited to Iran and Saudi Arabia. It would most probably morph into forms unknown to the other parts of the Middle East, engulfing both state and non-state actors and regional and global powers alike. Tehran has painstakingly propped up a palisade of groups in the region that now serve as proxy forces. This so-called [“Axis of Resistance”](#), which includes Hezbollah in Lebanon, the Houthis in Yemen, Hamas in Gaza and Iraqi Shia militias, have received training and financing from Iran. More worryingly, as Tehran improves its [UCAV/RPVs, cruise and ballistic missile technology, it is sharing it with regional allies](#) — in some cases even providing factory-building capabilities. The increasingly sophisticated weaponry is part of Iran's hybrid warfare capabilities, and serves as an obstacle to US air supremacy in the Persian Gulf.

The main question in any conflagration is whether and how the US would get involved. The [military options](#) - including a blockade on Iranian ports and strikes against military targets — risks escalation. Saudi Arabia cannot confront Iran on its own — a humbling revelation for a country with the [third-largest defence budget in the world](#). But whatever the contours of an eventual military operation against Iran, the effects would be destabilising for the region and the world. It would probably provoke a retaliation throughout the Middle East by Iran and its proxy forces on US military and economic assets and key Saudi infrastructure. The whole region could ignite. Politically fragile Iraq and Lebanon could be destabilised. Israel could be compelled to enter the fray. The price of oil would go up, global economic growth would be affected, and a global recession might ensue.

US Disengagement

After some initial fiery rhetoric, the threat of war in the Gulf has receded once again. The Iranian regime, committed to its defiant strategy and threatening all-out war if attacked, seems to have inferred that Saudi Arabia currently does not have the stomach for a confrontation. And for all its bluster, the Trump White House has proven averse to military action.

What is becoming increasingly apparent in the ongoing tensions is that the threat in the Middle East is not just a conflict between local rivals but also the emerging power vacuum as the US appears to retreat from the region. The lack of US resolve in the face of a brazen attack on Saudi critical infrastructure, as well as its decision to withdraw troops from north-east Syria, thus clearing the way for a Turkish military offensive, signals a casual abandonment of erstwhile allies.

Washington has, until now, provided a security umbrella to its Persian Gulf allies that guaranteed the flow of oil. But the US is no longer as dependent on Middle Eastern oil, as a shale oil boom has ramped up domestic production. Besides, Washington is shifting its strategic priorities from fighting terrorism to competition with China and Russia. As a result, the deep-rooted regional alliance structure the US has nurtured in the Gulf, one based on oil and security, could begin to unravel.

What About Asia?

Mostly absent from the global media spotlight was the reaction of Asian economies to the threat of war in the Persian Gulf. This is surprising because Asia is the most vulnerable region to any conflict that disrupts the flow of oil. According to the US Energy Information Administration (EIA), more than [a fifth of global oil consumption, roughly 21mbd](#), flows through the strategic Strait of Hormuz every day, making it the world's most important oil transit choke point. The vast majority of oil exports originate from Saudi Arabia, Iraq,

Kuwait, UAE and Iran. Approximately 76 per cent of this goes to Asian markets, including [72 per cent of Saudi crude oil exports](#). China, Japan, India and South Korea, Asia's four largest economies and main oil consumers, obtain most of their oil imports from the region; [other important clients](#) include Pakistan, Taiwan and several South-east Asian nations such as Singapore, Indonesia and the Philippines.

But some countries are more vulnerable than others: China and India are important oil producers, whereas Japan and South Korea are almost totally reliant on imports. Still, [India imports 80 per cent of its oil requirements, with roughly two-thirds coming from the Persian Gulf](#); [80 per cent of Japan's crude oil requirements are from the region](#), and [South Korea's is even higher at 82 per cent](#).

Asia's dependence on such a turbulent region has not led to a search for solutions. In fact, the responses of Asian economies have been disconcerting. Stop-gap measures, such as maintaining reasonable strategic oil reserves have not been systematically implemented. [Only Japan and South Korea maintain the minimum 90 days of oil imports recommended by the EIA](#); and though China has been building up its strategic stockpile over the years, it only has the equivalent of 32 days of net oil imports.

The enduring instability in the Middle East is [prompting a renewed debate](#) in the major Asian countries to further expand and diversify their sources of supply — Africa and North and South America stand out. But only China has systematically done so over the years, investing in the costly energy infrastructure necessary to achieve this.

But as Asian economies ponder greater diversification, it is important to bear in mind future trends. According to the [Institute of the Energy Economics Japan \(IEEJ\) 2019 Outlook](#), though the Americas will account for roughly three quarters of the growth in global oil supplies in the next decade, from 2030 to 2050 Opec will represent more than 90 per cent of the increase in crude oil production, with most of it originating from the Persian Gulf, particularly from Saudi Arabia, Iraq and Iran.

Moreover, as the epicentre of global prosperity and economic growth shifts to Asia — the region could account for [50 per cent of global GDP in terms of PPP and 40 per cent of global consumption by 2040, and be home to 65 per cent of the global middle class by 2030, according to a McKinsey report](#) — most of the increase in energy demand will come from the region, specifically from China, India and the Asean countries. And though the energy pie will keep on expanding and diversifying, oil will continue being the largest energy source in 2050 - according to the IEEJ Reference Scenario.

The future of Asia seems, then, inextricably tied to the energy-exporting nations of the Middle East. The existence of large reserves, low-cost oil resources and cheaper transport costs make the Persian Gulf the ideal supplier to Asia's burgeoning economies and populations. The relationship is symbiotic.

So Why No Concerted Response?

The absence of a concerted response is understandable. Asia lacks a unifying security and trade framework. Diverging political and economic systems, regional rivalries, historical grievances and uneasiness at the rise of China preclude the coordination of common strategies. US–Iran tensions serve as a reminder of the different responses. Most Asian countries are grudgingly complying with US sanctions on Iran. [India has ended imports of Iranian oil](#). Countries such as Japan and South Korea are bound by security alliances and trade relationships with the US and are thus reluctant to question its current capriciousness — both have scrambled to look for alternatives to their Iranian oil imports, particularly Seoul, which was the [biggest importer of Iranian condensate](#). Only China has not abided.

But if there is one common area of concern where the Asian economies can overcome their grievances and cooperate, it is the Persian Gulf. Asia is, after all, the region with the most vested interest in its long-term stability. A common security approach is difficult to envision. Diplomatic gestures — like that of Japan last summer — have been piecemeal. But concerted and pro-active diplomatic and economic initiatives are conceivable. China and India maintain close ties to Iran and can thus exert diplomatic pressure to avoid any regional escalation. A

future rearrangement of the Iran nuclear deal should contemplate Japan, India and South Korea — China is the only current Asian participant in its capacity as a permanent member of the United Nations security council.

More creative incentives to Iran would be opportune; only France has come up with an alternative proposal to entice Iran back to negotiations through a [US\\$15 billion credit line](#). The Asian economies can let the US know that the “maximum pressure” campaign on Iran is dangerous and unsustainable. Donald Trump might think he does not need Asia, but the US does. And Asia needs the Persian Gulf.

De-escalation and Escalation

The recent diplomatic overtures by Saudi Arabia have calmed the markets. But that does not mean a conflict in the future is implausible. The attacks were a blow to the image of the Kingdom’s rulers, particularly to the reputation of the imperious young Crown Prince, Mohamed Bin Salman, known as MBS. It is not just Iran that is pursuing contentious regional policies. MBS’ [reckless adventurism in the region](#) exemplifies a break from Saudi Arabia’s [traditionally cautious and risk-averse foreign policy](#). The Kingdom’s conciliatory tone does not sit well with MBS’ bravado and vigorous nationalism. The Saudi response could be considered meek by its regional allies, and could embolden domestic dissenting voices.

Though relatively quiet, the region is still on the boil. For instance, high-ranking Iranian officials blamed an attack on an Iranian tanker in the Gulf on Saudi Arabia, Israel and the US, with President [Hassan Rouhani declaring it would not go unpunished](#). The Saudi–Iranian regional feud will not wither. Their competing interests make them natural rivals, and not just now. Modern Iran’s attempts to influence its Arab neighbours are but a continuity of its historical regional aspirations. Under the last Shah, Iran also gave [financial and military assistance to Shia communities and proxies across the Middle East](#).

So it should very much matter to Asia if Saudi Arabia and Iran go to war. Or if Iraq destabilises further due to internal discontent at a [corrupt and inefficient political system](#) incapable of providing for the needs of its citizens. Or if the increasing tensions between Iran and Israel in the Levant unfold from a shadow war to an open one.

The Middle East is a cauldron of rivalries and scheming, passions and ambitions, that converge into a potent and sometimes unpredictable brew of alignments. Conflict can still occur, probably through an unpredictable escalation of isolated, contained events, or a miscalculation, as the norms of behaviour and engagement seem to be shifting constantly.

About the author

Mr José Clavijo is a former Venezuelan diplomat who served in Japan, India, and Morocco, among others.