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## Iran and Oman Conflict in The Strait of Hormuz: The Potential for Cooperation

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### Abstract

The Strait of Hormuz is a vital global oil chokepoint that linked the Persian Gulf and the Gulf of Oman to Indian Ocean and Arabian Sea. It contains narrow international shipping lines in the territorial waters of Iran and Oman and the narrowest point is only two kilometre's wide. Nevertheless, major powers have devoted their interest in the Strait especially the United States of America. This research has been conducted to analyse the factor of the conflict in Straits of Hormuz and its implication towards Iran and Oman. The objectives in this research namely 1) To identify the importance of the Strait of Hormuz, 2) To examine the causes and impacts of the conflict in the Strait of Hormuz towards Iran and Oman and 3) To analyse the potential cooperation between Iran and Oman in handling the conflicts in the Strait of Hormuz. This research has used qualitative approaches and secondary data were the main sources. The concepts of power and national interest have been used to explain the issues. The findings of this research are 1) The strategic location of the Strait of Hormuz became the factor of conflicts as it was the SLOC to economy activities and strategic purpose, 2) The conflicts in the Straits of Hormuz will cause the decline of economy activities and the straits became the battlefield to both countries, and 3) Both countries should use diplomacy to settle their crisis as if it escalating, it will bring disaster to each side.

**Keywords:** *Iran, Oman, Persian Gulf, SLOC, the Strait of Hormuz*

### A. Introduction

The relationship between Iran and Oman varies from time to time. Sometimes they become friends and sometimes they become enemies. Nevertheless, because of the geographical factor, both countries have to cooperate with each other as their countries are sharing maritime border in the Strait of Hormuz. As pertaining to social interaction, they are in close relationship due to the affinity and saturation of various tribes and ethnicities as well as blood brothers in religion; example Islam (Albasoos, Ali, Al Hasni, Al Shizawi, 2019:7). The geographical location of Iran facing the Persian Gulf in which it shares the Gulf with other Littoral States such as Oman, Kuwait, UAE, Bahrain and Qatar. Its coastlines cover 1200 KM throughout the Persian Gulf, thus pose as a strategic and logistic significant for the Middle East countries as well as Iran is concerned. As for the discussion under Chapter 2, the Persian Gulf and the Strait of Hormuz are significant to the Iran's oil industry. Iranian oil and gas reserves as well as major ports are located along the Gulf near the other Littoral States (EIA, 2019).

On the other hands, as far as Oman is concerned, it has foreign policy of non-intervention with other states and non-partisan (Kechichian, 1995). Because of this policy, Oman has good relationship with Iran as they realise that Iran is part of the region and has significant role and

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impact on the regional politics, economy and stability. Oman plays a significant role to accommodate the cooperation and link between Iran and other Littoral States of the Persian Gulf. This effort is considered to maintain the security and cohesion in the Middle East. Oman and Iran had good relationship during the Shah Reza Pahlavi era and also amid the Islamic Revolution in Iran (Mottus, 2019). During Shah era, both leaders; Sultan Qaboos and Shah Reza Pahlavi had inspired the cooperation between both countries on security and political matters. During that time, Shah Reza Pahlavi had close ties with the British government as he posed as a mediator in the Arabian Peninsula (Curtis, 2019). He had sufficient resources as pertaining to diplomatic, finance, and military forces in order to keep the region free from threats internally or externally (DIA, 2019:2-3). One case to illustrate this is the Shah's assistance to fight the nationalist communism in Oman. During that time, Iran had assigned its military forces which consist of at least 3500 troops from Iranian Expeditionary Force (Pellas, 2020) and logistic capabilities (Albasoos, Ali, Al Hasni, Al Shizawi, 2019:8) to Oman to fight against the communist revolutionaries, the Popular Front for the Liberation of Oman and the Arabian Gulf (PFLOAG); in Dhofar (Marral, 2020 and Halliday, 1996). According to Defence Intelligence Agency of the United States (2019), during the campaign against Marxist ideology of communism in Dhofar, Iranian Special Forces was first to be deployed in 1972 then followed by a Parachute Battalion in 1973 to form up Imperial Iranian Task Force that consist of more than 3500 personnels with artillery, helicopter, fighter aircraft, air defense, and naval support (DIA, 2019:2-3).

The Iranian assistance to fight communism was a sign that it concerned about the cohesion and security of the Arabian Peninsula. It was mention by the Shah of Iran, Reza Pahlavi that Oman was pertinent to Iran in which anything transpire to Oman would have a direct impact on Iran (Albasoos, Ali, Al Hasni, Al Shizawi, 2019:8) in so far as Oman dominate part of the Strait of Hormuz and thus the imbalance in Oman affects the Strait and this situation is a vital significant for Iran (Latif, 2019). The late Sultan Qaboos during his relationship with Shah of Iran had made several visits to Iran in order to establish close relationship with Iran. His visit in 1974 was successful in establishing the fundamentals of security cooperation in the Strait of Hormuz (Albasoos, Ali, Al Hasni, Al Shizawi, 2019:8). Both countries were agreed upon taking responsibilities for maintaining peace and security of the Strait, which consist of maintaining safe passage of ships through the Strait. In 1974 also, both countries had reach into agreement of the maritime borders, agreement on patrolling the borders, ending prohibited movement and system to secure the Strait (Pirouz and Bahador, 2017: 64 and UN, 2017).

## **B. Causes for The Conflict in The Strait of Hormuz**

### ***Geopolitics in the Strait of Hormuz***

The discussion on the geopolitics refers to the analysis of geographical impact on the Iran and Oman's policies. In this situation, their governments make policies by considering their geography including the geographical location. Both Iran and Oman are located next to the Strait of Hormuz in which it become the significant chokepoint and critical waterway that connect the Persian Gulf region with other regions. By looking at the economic, military and strategic orientation, throughout the history, it becomes the centre of major powers' concentration. One of significant major power's attentions to the Strait is the United States (Jafari- Valdani, 2012).

Geographically, the Strait of Hormuz is significant to the global economy, as it becomes the important chokepoint for oil industry of the littoral states of the Persian Gulf to the rest of the world as discussed in Chapter 2. It is not only involved the flow of oil and natural gas commodities through the Strait but also other products from and to the region. According to the UNCLOS 1982, the littoral states in a strait have the right and authority to supervise and

defend the territorial waters in the strait. The busy traffics in the strait must be managed by the littoral states of the strait (Wainwright, 1986:370). As far as the Strait of Hormuz is concerned, Iran and Oman have successfully created the Traffic Separation Scheme (TSS) in the waterways in order to avoid any collision and damage to the international vessels that sail through the narrow passage between the existing islands in the Strait (Fenton, 2019). According to the UNCLOS 1982, the maritime highway that passing through the territorial waters of littoral states gives right to the states to control and supervise the traffics by rules and regulations as contained in TSS. With regards to the Strait of Hormuz, both littoral states have the authority to oversee the movement of any vessels that cross their territorial waters. Nevertheless, the Strait of Hormuz is an international strait, which gives rights and power on Iran and Oman to look after the maritime trade passing through it and at the same time bear responsibility to defend it under customary law of Corfu Channel (Guilfoyle, 2012).

The significant role of the Strait of Hormuz as an important oil artery in global economy has made the big power like the United States to have its influence and supervision in the strait (Gilsinan, 2019). The existence of the US in the Persian Gulf region especially in the Strait of Hormuz can be seen after the conclusion of the Cold War that constitute sole power in the world having the capabilities in international politics, huge economy, and military might. The existence of the US in the region begin during the World War 2 in which the Middle East had been used to provide logistics to the United States and the Soviet Union facing war in Europe (Gilsinan, 2019). After the war, the US remained in the region and made ally with the Gulf countries. By looking at the swift growth of the oil industry in the region, the US has foreseen the important of the Strait of Hormuz and with the intention of maintaining its influence; it built several military bases in its ally's countries (Wallin, 2018). Nevertheless, the United States and its ally's influence have been overshadowed by the emergence of Iran as a major power in the Strait of Hormuz and in the Persian Gulf region (Oktav, 2010). After the conclusion of the World War 2 and the Cold War, the US economy has depended on the oil from the Middle East region. Even though it has its own oil industry, it was not enough to provide for own consumption as well as to export the oil products. Until 2014, the US has no longer rely upon the oil industry in the Middle East for its energy supply because of the successful efforts on its shale oil production. After 2014, the US has developed into the world largest crude-oil producer that surpasses Saudi Arabia and Russia (Amadeo, 2020).

Even the US has no longer rely upon the oil that crossing the Strait of Hormuz, it still remains in the region in order to establish the safe passage of vessels through the Strait and maintain the oil flows in the global markets. The disruption of the energy flow has global impact including the United States' economy (Gould and Kim, 2019). This situation gives rise to the discomfort and insecurity towards Iran and Oman as the US existence involves their territorial waters. This situation has become one of the factors that contribute to the crisis between US and Iran. On the other hands, Oman has not involved in the crisis because of its policy of noninterference or impartiality towards the US and Iran. Both countries have good relationship with Oman (Baycar, 2020). Iran has more concern to the Strait of Hormuz as Iran has the longest coastlines facing the Persian Gulf, the Strait of Hormuz and the Gulf of Oman. It has also the vast territory in the region, huge population, military might, huge oil and gas reserves and the technical capabilities to supervise and control the Strait of Hormuz. Oman does not have the capacity as compared to Iran. The important of the Strait of Hormuz to Oman is because of its offshore oil and natural gas supplies in the Musandam Peninsular.

Geographically, Oman has to adopt lineal policy and good connection with other countries in the region particularly with its littoral state's neighbour; Iran. From the time immemorial, Oman had benefitted from Iran as pertaining to the politics, economy and social (Cafiero, 2016). Omani residents in Musandam Peninsular are of the Iranian origin from Shihuh tribe that speak Kumzani; the old Iranian language (Erich, 2016). Musandam Peninsula is exclave from other parts of Oman, rugged and unforgiving landscape, remote and sparsely populated as well as economically underdeveloped (Balas, 2017), largely undeveloped area (Robison, 2020), and no coastal plain (Erich, 2016). Because of this geographical location of Musandam Peninsular, Oman has to depend on Iran and Western powers to protect its sovereignty. On that cause, Oman has good relationship with Iran and at the same time attributes its loyalty and friendship with the US (Schanzer, 2019). Despite this situation, Iran does not require other foreign powers to protect the sovereignty of its territorial water in the Strait of Hormuz as it has all the capabilities to protect the Strait.

The United States has become a sole power after the collapse of the United States of Soviet Russia after the Cold War era (Rathnayake, 2016:251). It becomes a hegemonic power based on its progress in economy, military power, technology and also political stability. As pertaining to the Middle East, it forms significant part of the United States' foreign policy (Beaver, Beaver and Wilsey, 1999 and El Mansour, 2004). Despite their terrestrial location, which is not in proximity, the United States has influence on the political situation in the Persian Gulf region. It became predominance in the region pertaining to the economy. The Middle East status as the world most important region for energy supply has become an interest for the United States to have its influence in the region. As for today, there is no country in the world that can challenge the United States' strong economy, political and military might (Bremmer, 2015).

With regards to Iran, after the development of oil industry in the Middle East, it has become strong in economy as well as politics. Iranian economic prosperity has contributed to its military might. It has succeeded in possessing one of the strongest military powers in the region. Its military constitutes of 523,000 active personnel and 350,000 reserve personnel, which consist of advanced equipment such as tanks (2,056), armoured vehicle (4,300), self-propelled artillery (570), towed artillery (2,088) and rocket projectors (1,935) (Global firepower, 2020). Iran possesses all criteria to become regional hegemon in the Middle East such as strong and progressive in economy and stability in politics as well as its geographical location in the Persian Gulf. Its oil industry ranked fifth in the world (Ali, 2019) and has natural gas reserves that contribute 16.2% of total global natural gas reserves in 2019 (BP, 2019).

The clash between two powers; the US and Iran has caused the tensions and create problems in the Strait of Hormuz. Iran continuously threatened to close the Strait if the country is prevented from using it (Shahla, Nasser, 2019) especially after the US has pulled out from the Iran's nuclear deal 2015 in May 2018. There were many incidents inside and outside the Strait of Hormuz that have been linked to Iran. Six oil vessels and a U.S. spy drone have been attacked since May 2019 (Meredith, 2019) either in, or near, the Strait of Hormuz. In June 2019, attacks on tankers occurred in the Gulf of Oman involving two vessels; the *Front Altair* (carrying naphtha from Persian Gulf to Japan) and *Kokuka Courages* (carrying methanol from Saudi Arabia to Singapore). Both tankers sustained significant damage. And the crews were evacuated. The US has put the blame on Iran but it was denied (Turak, DiChristopher, 2019). Before that, in May 2019, four oil tankers were incapacitated outside the coast of the UAE including 2 vessels from Saudi Arabia (Reuters, 2019). The attack was outside the Strait of Hormuz but because of the heightened tension between US

and Iran in the region, Iran has been suspected to conduct saboteur operation as mentioned by US National Security Advisor John Bolton. Iran denied any connection in the attacks and call for the regional countries to be vigilant against destabilizing plots of foreign agents. In June 2019, Iran claimed that it had shot down a US spy drone (RQ-4 Global Hawk) that flying inside Iranian airspace. The incident sparked the escalation of tensions in the Strait of Hormuz (Berlinger, Tawfeeq, Starr, Bozorgmehr, Pleitgen, 2019).

The threat posed by Iran in the Strait of Hormuz is established on certain factors that contributed to the escalation of conflict between the US and Iran. One of the factors is pertaining to the Iran's nuclear program (Ali, 2019), which has been under international supervision since it has the capability to enrich uranium on its own nuclear facilities (Albright, Pabian, Heinonen and Stricker, 2018). The Iran's nuclear program has begun in 1950s with the assistance from the US; it has the capability to establish a nuclear research facility; Tehran Nuclear Research Centre (TNRC) (Inskeep, 2015). After years of research and experiments, it was successfully capable to own nuclear technology, which aimed to be used commercially in the country. However, the development of several nuclear facilities has put Iran under suspicion to create nuclear weapon (Bruno, 2010 and NTI, 2020).

International community has put from time to time Iran under economic pressure. For the past ten years, the United Nations, the US and the European Union beginning in 2011 have put Iran under economic sanctions (Davenport, 2020). The economic sanctions were aimed to ensure Iran producing limited uranium enrichment and use it for commercial purpose. The sanctions continued until 2015 when JCPOA was established to control Iran's nuclear program and at the same time lifting the economic sanctions. The Iran's nuclear deal in 2015 was successful with the assistance of Oman as a mediator to put the US, UK, China, France, Russia and EU on the same table to negotiate the deal. Nevertheless, in May 2018, the new president of the US; Donald Trump has withdrawn from the nuclear deal claiming that Iran has been suspected to violate the agreement. At the same time, the US has reinstated the economic sanctions on Iran and refuse economic waiver on every country that has bought Iran's oil (Gladstone, 2018). Other countries of the JCPOA have not approved the unilateral decision by the US. Iran on the other hand intimidated to close the Strait of Hormuz in reaction to the decision. The threat posed by Iran has been seen by analyst to engage in hybrid warfare in which Iran has begun to harass commercial vessels sailing through the Strait.

### ***Foreign Military Intervention in the Strait of Hormuz***

The other cause of the conflict is that the existence of foreign military forces in the Strait of Hormuz or nearby. The US has been developing its military bases from time to time in the Middle East to establish its hegemony in the region. There are several military bases in UAE, Qatar, Bahrain, Kuwait, Iraq, Arab Saudi, Jordan, Syria, Oman and Afghanistan. The figure below is best to illustrate the location and estimated US personnel in the Middle East especially near Iran.

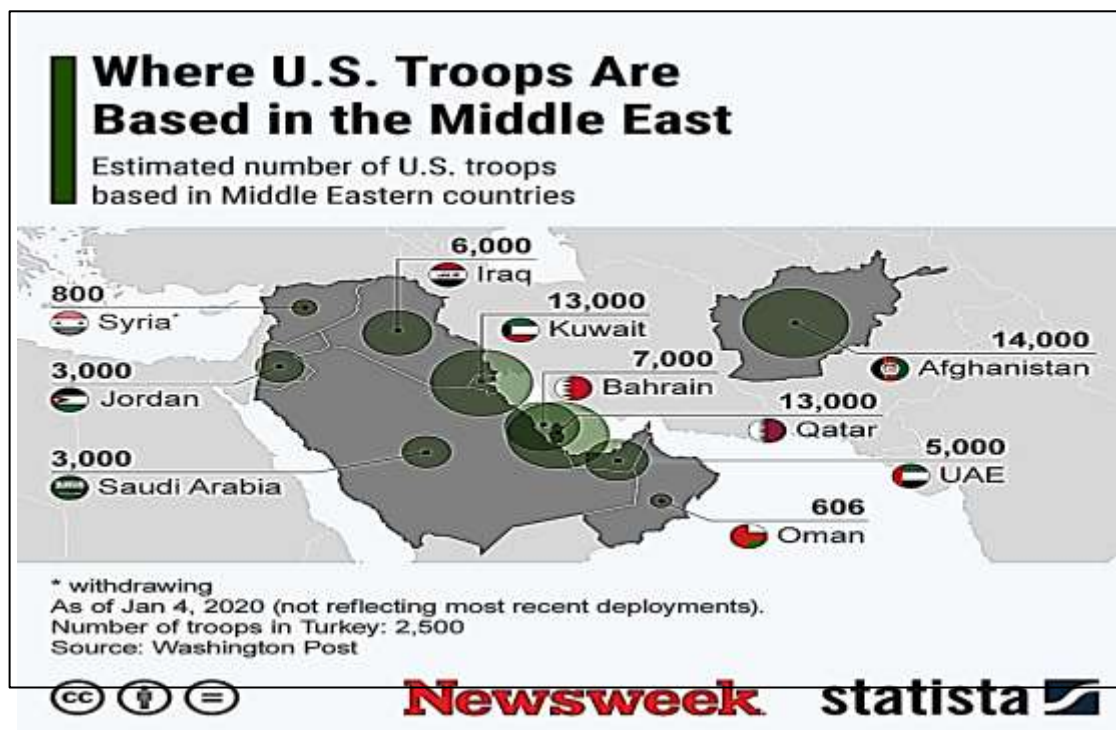


Figure 1 US Military Bases Near Iran

Source: O'Connor (2020)

Figure 1.1 shows the location of the US military bases near Iran. The focus is the locations adjacent to the Strait of Hormuz. Based on the figure, there are 45,000 of the US troops in 6 bases nearby the Strait of Hormuz. This shows that the enemy has encircled Iran and thus it creates tensions in the Strait and the region. A single misinterpretation and misidentification give rise to escalate the tensions and full confrontation. The data also shows that it is not the intention of the US to supervise the Strait of Hormuz in order to protect the safe passage of commercial vessels, instead it is more than that; to show its hegemony in the region. This is what Iran disproved the intervention of foreign military forces in its territory. The same thought has been shared by Oman that opposed the involvement of foreign military forces to control the Strait (Yusuf, 2020).

In July 2019, after several incidents in the Strait of Hormuz and nearby area, the US Central Command in Bahrain has established and conducts Operation SENTINEL. The Central Command had established a coalition namely the International Maritime Security Construct (IMSC) on the capacity of Operation SENTINEL in which was joined by the UK, Saudi Arabia, UAE, Australia, and Bahrain (Global Security, 2019). The purpose of the coalition is to protect the safe passage and freedom of navigation in the Strait of Hormuz. France did not involve in the coalition in order not to be seen as involving in the decision by the US to withdraw from the JCPOA 2015. Nevertheless, France has led other European countries such as Belgium, Denmark, Germany, Greece, Italy, Netherland and Portugal to provide naval ships in assisting the security of the Strait (Kar-Gupta, and Szucs, 2020). Other than that, there are also unilateral involvement in protecting the security of the Strait by Japan, South Korea, Russia and China in which they sent their naval ships for the maritime security (Irish, Siebold, 2020). The Operation SENTINEL and other foreign military involvements in the Strait of Hormuz would likely to take place in the territorial waters of

Iran and Oman. It would create a spark to further escalate the tensions in the Strait. As the discussion before, Iran and Oman own the authority and control over the Strait under the UNCLOS 1982 and both littoral states have imposed rules and regulations established under the UNCLOS 1982 to protect their sovereignty of the countries and also the territorial waters adjacent to it. The rules and regulations are pertaining to the safety of navigation and maritime traffic. Iran and Oman are not welcomed the international coalition led by the US in their area. The reason is that the potential for miscalculation or misidentification could lead to aggressive actions against any force in the Strait whether it is the US led coalition, European coalition or any other independent forces. The escalation of the tensions leads to big scale of confrontation between forces in the Strait.

Nevertheless, the security of the Strait has been supervised and managed by a coalition namely the Combined Task Force (CTF) 150; joined by Pakistan, Canada, France, Germany, the UK, and the US (CMF, 2020). The coalition generally rotated in command between nations on a four monthly basis. Its mission is to disorganise terrorist organizations and their wrongful activities by restricting their freedom of manoeuvre in the maritime territory. The Strait of Hormuz is included in its Area of Operations. Iran supported by Oman, on the other hand, has put their belief that only regional coalition can maintain the security of navigation in the Strait. Thus, on that matter, Iran had proposed to the United Nations during the 74<sup>th</sup> session of the United Nations General Assembly in 2019 the Hormuz Peace Endeavour (HOPE) as a regional coalition. Iranian President Hassan Rouhani has invited regional states to join the security coalition (Financial Tribune, 2019). The aim of the coalition, which has been said by Iranian President, is “to ensure peace, stability, progress and welfare for all the residents of the Strait of Hormuz region and to enhance mutual understanding and peaceful and friendly relations among them”. The clash of the coalitions that exist in the Strait of Hormuz would spark full-scale battles in the future if the problems in the Strait could not be work out or concluded. The recent development that can escalate the tensions in the Strait is the reinforcement of the United States troops to Kuwait, deployment of the United States Fifth Fleet in Bahrain and also the assassination of Iranian Al-Quds Commander; Qassem Suleimani, in Iraq in January 2020 (Browne and Stracqualursi, 2020). Iran in retaliation had launched an attack on the United States facility in Iraq. This incident, even if it happened outside the Strait of Hormuz, it also contributed to the security in the Strait as Iran always has the capability to disrupt oil vessels that sail through from the Persian Gulf region.

### **C. Impact of The Conflict in The Strait Of Hormuz**

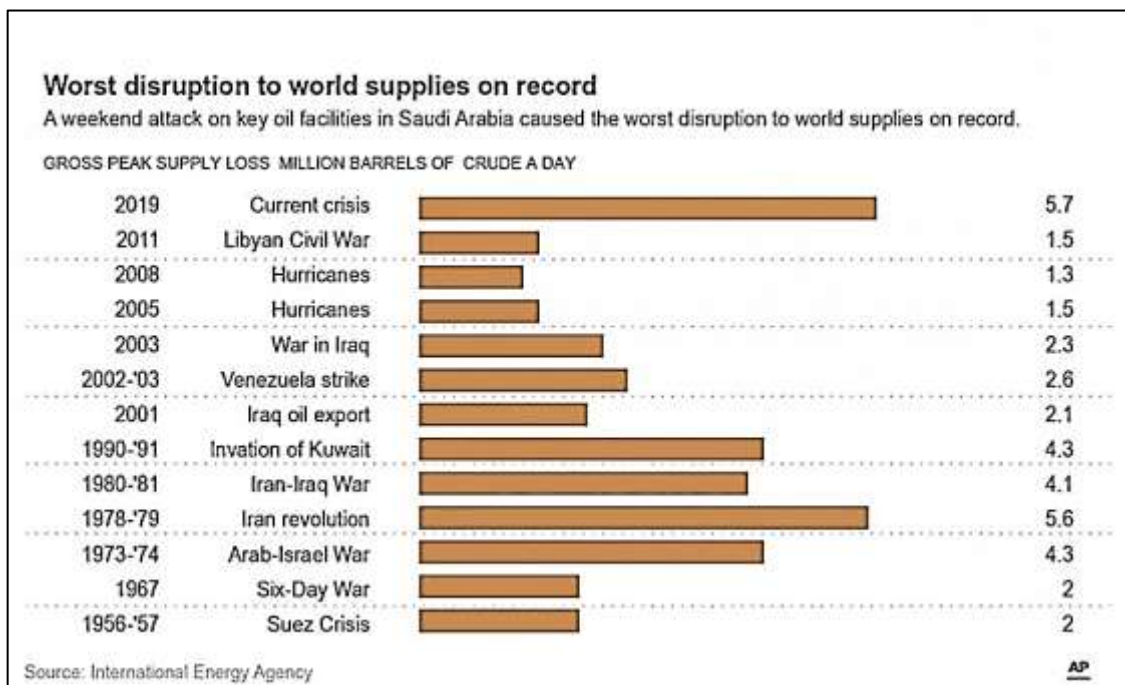
The first part of this Chapter has discussed about the causes or the factors that contribute to the conflict in the Strait of Hormuz. It is more on the geopolitics of the Strait itself towards its littoral states and other countries that put their interest in the Strait. The situation creates more tensions when every country involved in coalitions had intervened by sending their military vessels and troops as if both littoral states of the Strait of Hormuz could not ensure the security of commercial vessels conducting its rights of safe passage through the Strait. Throughout the history, the United States had developed good relationship with Iran in 1950s when it had assisted Iran to develop the capability in nuclear technology. Later on, when Iran show it becomes a threat to the United States and its allies in the Middle East, sanctions have been imposed on its economy in order to contain such threat. Iran has been suspected to produce capabilities that can create nuclear weapons. The problems in the Strait of Hormuz give huge impact towards the littoral states; Iran and Oman. The dependency of both countries on oil industry as their most important source of revenue has given an impact on their economy. This second part of the Chapter discussed the implication of the conflict

in the Strait of Hormuz on global economy in general as well as specifically the impact on Iran and Oman.

### ***Impact on Global Economy***

With regards to Iranian response towards the economic sanctions by the United Nations, the United States and the European Union, there were certain incidents that can contribute to the severity of the conflict. The incidents were contributing to the increasing of the tensions in the Persian Gulf region specifically in the Strait of Hormuz. The importance of the Strait, which has been discussed in Chapter 2, shows that the disruption of the oil flow passing the Strait affects the crude oil price globally. Iranian government has made drastic measures and response by attacking oil vessels that sails through the narrow passage in the Strait of Hormuz. Savage response by the Iranian Coast Guard such as the incident in May 2018 after the United States withdrew from the JCPOA or Iran Nuclear Deal 2015 and put sanctions on Iranian economy. On May 12, 2018 four oil vessels were attacked outside the Strait of Hormuz and Iran was put on blame on the incident when it included two oil tankers from the United States ally in the Gulf region; Saudi Arabia (Yee, 2019). In June 2018, a month after the incident, two more tankers were attacked in south part in the Strait of Hormuz (Wintour, Borger, 2019). After a week, Iran shot down the United States' surveillance drone suspecting in violation of Iranian territory (Karimi, Gambrell, 2019). The Iranian government denied all of the attacked on oil tankers.

Other incident that constitutes retaliation by Iran was the capture of Iranian tanker (Grace 1) by British Royal Marines in the Strait of Gibraltar suspecting to breach the European Union sanctions on Syria. The other incidents such as the destruction of Iranian drone in the Strait of Hormuz by the United States and Iran seized British oil vessels (Stena Impero and Mesdar) in July 2018. The impact of these incidents was reflected the oil flow from the Gulf region crossing the Strait of Hormuz. The interaction of oil supply and oil demand with the tensions in the Gulf region, give rise to the global oil price. How it happens? According to EIA, the average of global consumption of oil is 100 million barrels a day (EIA, 2020). The supply must be balanced with the demand. Anything different on both supply and demand affect the rise and fall of the oil price. The sudden rise in oil price has its impact on the international market and thus ripens the global economy. In order for the global oil price to be stable, the flow of the oil through several world important straits especially the Strait of Hormuz must not be disrupted. If the disruption occurs, the other oil producing countries have to increase their supply in order to maintain the price (Mcfarlane, 2020). In order to illustrate the impact of the disruption of oil supply, the Graph 3.1 shows as follow.



**Graph 2** Worst Disruptions to World Supplies in History (2019)  
 Source: ABC News (2019)

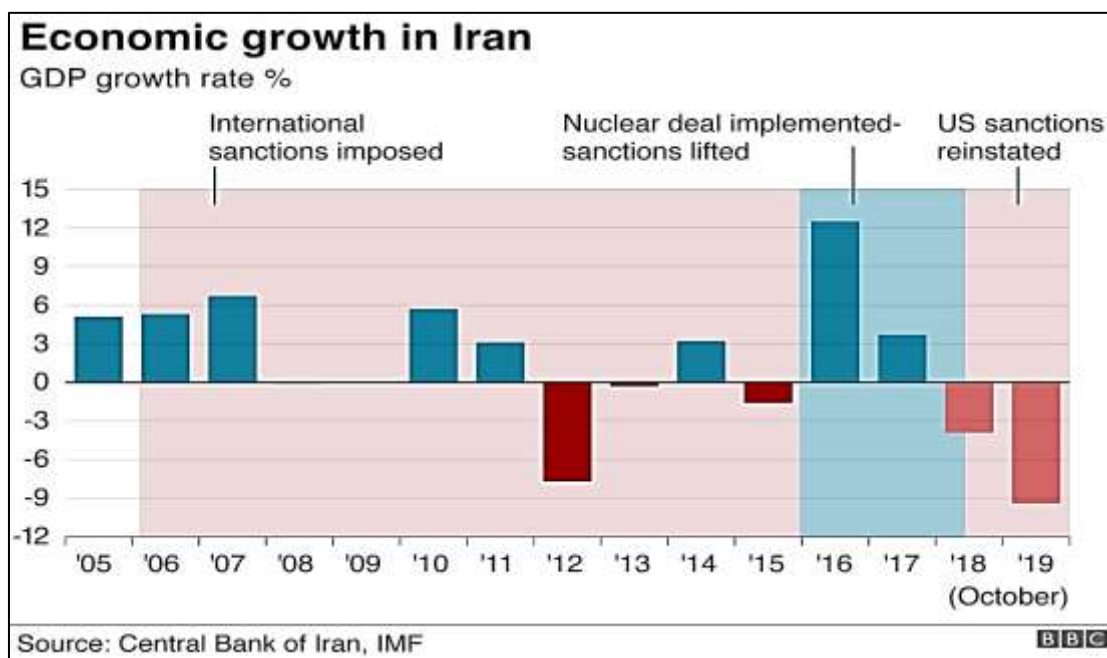
Figure 2 shows that in history of oil industry, there were a lot of cases, which involved oil disruptions from 1950s until current crisis in 2019. From the data we can see that most of the crisis involved the Middle East. With regards to Iran, the Islamic Revolution in 1978-1979 and the current crisis in 2019 show the worst disruptions in the world supplies of 5.6 million barrels a day and 5.7 million barrels a day respectively. The disruption increases the production of OPEC member countries and other producing countries to meet the supplies or to stabilise the world oil price. The rise of oil price also affects other sectors. All goods have significant rise in prices and thus create social problems. It weakens the purchasing power in the society. The impact of the oil price on a country depends on its economy status whether it is a developed economies or emerging economies (Yoshino and Hesary, 2014). Emerging economy's growth could suffer because of the rise of oil price especially crude oil. The high crude oil price causes inflationary pressures, which resulted to increased interest rate (Vaughan, 2018).

***Impact on Iran***

Iran, one of littoral states of the Strait of Hormuz has been impacted by the conflict in the Gulf region since its nuclear program began in the 1950s and the biggest impact is since 2012 when the United Nations, the United States and the European Union put economic sanctions. Since then, Iran has been put under surveillance and international monitor on its nuclear program. Then in 2015, the JCPOA was successfully entered into agreement pertaining the Iran's nuclear program, which lifts the sanctions, by the international body. From 2015, Iran has planned to develop its economy from 2016 until 2021 (World Bank, 2018). In May 2018, Iran has been suspected to violate the 2015 Nuclear Treaty and thus put its economy under sanctions again by the United States. The other international body such as the United Nations and the European Union did not follow the effort by the United States on the

understanding that Iran tends to negotiate and abide by the Nuclear Treaty. Since the economic sanctions in 2018 by the United States, Iranian economy shows decreasing. The Iranian economic downturn has affected its internal economy and social; bad economic problem, insufficient jobs, increasing prices for daily goods and other necessities, thus, create hatred towards the government (Goodman, 2020).

The conflict has created the increasing of inflation up to 40% according to the report by the World Bank in 2018. As been discussed in Chapter 2, Iran's economy is totally depending mostly on its oil industry. Other sectors include agriculture, manufacturing, services, and finance. Other than economic sanction on Iran, it also impacted the banking sector in which the sanctions dictate constraint on domestic banks from international banking system. This situation has created economic recession and currency impasse (Mazarei, 2019). On part of that, most Iranian companies also depend on the imported goods from other countries. Because of the conflict and sanctions, the currency has declined further, thus put the companies on burden to pay high for the imported goods. On the other hand, banking sector have to give more loans for the companies in order to avoid the business crash. This situation have resulted into the distress for the companies.



**Graph 3** Economic Growths in Iran (2005-2019)  
Source: BBC News (2019)

Figure 3 illustrates that the relationship between the economic sanctions and the economic growths of Iran for the past 15 years. From 2005 until 2012, the economic growths show up and down. The worst declination is in 2012 when uncompromising international sanctions were instated on Iran. The declination of economic growth continued to show declination from 2012 until 2015 except in 2014. In 2015, when JCPOA was entered into agreement, Iran nuclear program was put under the international monitoring committee and at the same time all sanctions have been lifted. After 2015, the economic growth shows expansion until 2018. In 2018, it begins to decline again because of the violation of 2015

nuclear deal in which the United States has reinstated the embargo on Iran and restrictions on other states in relation to Iran’s trade and economy. The restoration of economic sanctions on Iran has prevented its important source of profit and revenue. According to BBC News, which refer to the estimation made by the Central Bank of Iran and International Monetary Fund (IMF), Iran’s GDP had collapse and reduced to 9.5% in 2019.

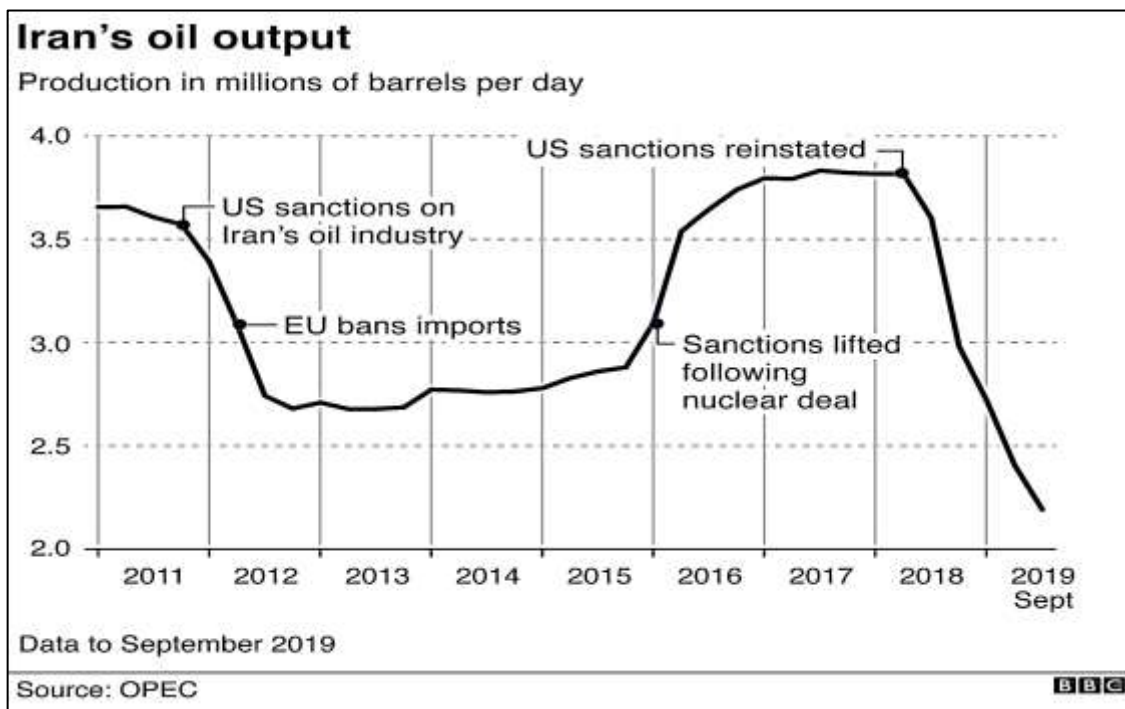


Figure4. Iran’s Oil Output (2011 -2019)

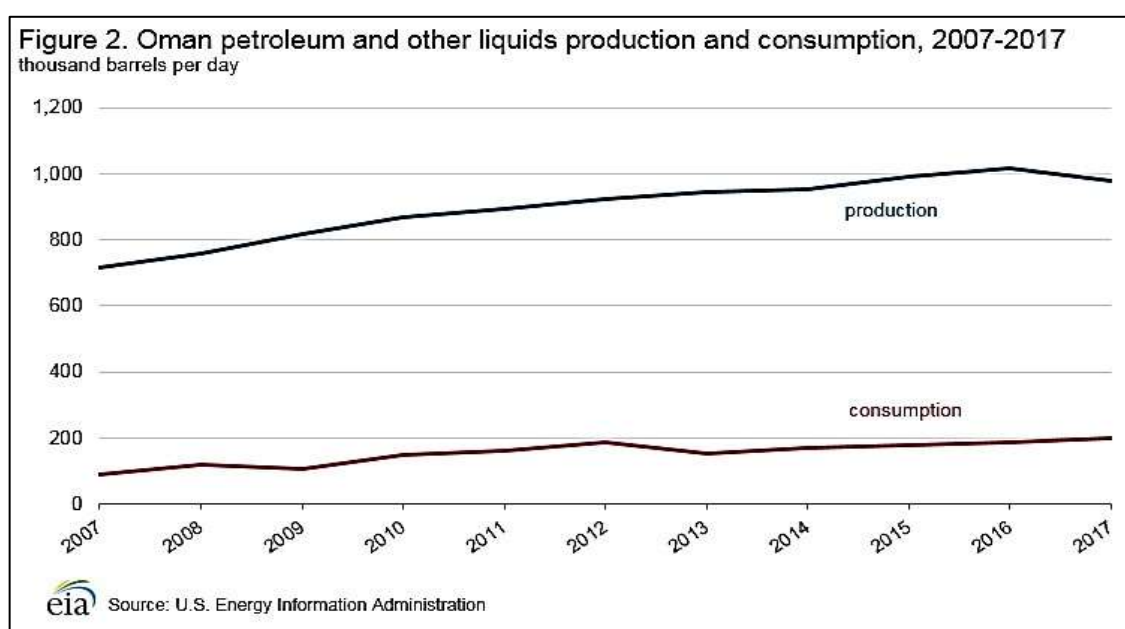
Source: BBC News (2019)

Figure 4 show that the conflict and sanctions by the United Nations, the United States and the European Union in 2012 has reflected the production of Iranian crude oil. From 3.7 million barrels a day in 2011-2-12 declined into approximately 2.7 million barrels a day in 2012 until 2015. Towards the end of 2015 after the nuclear deal signed, the statistic shows the increasing production of the Iranian oil almost reaching 4 million barrels a day until 2018. Later on from early 2018, it shows the declination until 2.3 million barrels a day in 2019. This was the effect of the sanctions being reinstated on Iran by the United States in May 2018.

**Impact on Oman**

The important of the oil industry and the dependence of Oman on oil industry have been discussed previously in Chapter 2. In this Chapter, the discussion is more on the effect of the interruption of oil supply from the Strait of Hormuz, which involve its oil field in Musandam Peninsular. In reality, Oman has not affected the most by the disruption because all of its oil industry situated in the parts that not involve the Strait of Hormuz. Most of its oil fields and important ports are situated facing the Gulf of Oman and the Arabian Sea. The

reality is that every interruption in the global supply is also involving Oman's economy and revenue from oil industry. The oil price fluctuation and inflation affect its overall economy. The other thing is that the conflict did not actually affect its oil productions directly but because of the agreement with the Organization of the Petroleum Exporting Countries (OPEC) to cut oil product in order to stabilise the price. In January 2019, Oman has agreed with Russia and other OPEC members to cut 1.2 million barrels a day of oil production until March 2020 (Carvalho and Nehme, 2019). Oman has participated in the agreement since 2017 (EIA, 2018).



**Figure 5** Oman Oil and Gas Productions (2007-2017)  
Source: EIA (2019)

Figure 5 illustrates that the production of its oil and gas is increasing from 2007 until 2017. Its productions increased from approximately 700 thousand barrels a day in 2007 to 1 million barrels a day in 2017. The declination in 2017 shows the effect of the agreement with OPEC to cut oil supply to stabilise the price. On the other hand, Oman only consumes more or less 200 thousand barrels a day. This consumption is from its own refinery and a little from imported refinery. Pertaining to the political aspect, the US-Iran crisis does not affect the relationship of Oman with the United States as well as Oman with Iran. This is because of Oman foreign policy based on non-alignment (Cafiero, 2020). The strong ties between Oman and Iran have been discussed in Chapter 4. Nevertheless, Oman had played a significant role between Western countries and the Arab states such as the successful Iran nuclear deal in 2015. At the same time, Oman also has good relationship with the United States since 1833 when they concluded treaty of friendship and navigation. Later in 1958, they entered into the Treaty of Amity, Economic Relations, and Consular Rights and concluded their diplomatic relations in 1972 (BNEA, 2019).

#### **D. Potential Cooperation By Iran and Oman**

##### ***Strengthening Political Relation***

Oman can play its role by using diplomacy in securing its national interest and at the same time contribute to the preservation of Iran's national interest. Oman can negotiate with Iran to uphold to its Nuclear Deal 2015 and back into negotiation with the JCPOA especially the US. This political relation is important for both countries in order to deescalate the tensions in the Strait of Hormuz. This political cooperation is also substantial between two countries because of the new Sultan Haitham of Oman. He must put an effort to remain relevant same as his predecessor, Sultan Qaboos. The effort by the new Sultan is to confirm the Oman's foreign policy whether it is still the same as before or the other way around. He also has to bear a heavy burden in developing the Musandam Peninsula, the Omani direct region facing the Strait of Hormuz and Iran. Thus, the new political cooperation is needed to heighten the security of the Strait.

With regards to the discussion before, Iran and Oman had formed a close relationship with each other because of their significant position in the Persian Gulf area and in the Strait of Hormuz. The relationship during the Shah era continues after the Islamic Revolution in 1979 and until now. As far as this rapport is concerned, Omani leadership has been trying to avoid political formation as opposed to Iran (Katzman, 2020:9). After the Islamic Revolution of Iran in 1979, the rise of Saudi Arabia as new regional power and also because of the United States hegemony in the Middle East, the close relationship between Oman and Iran has been put in jeopardy. Because of Iranian influence in the region, Saudi Arabia has seen this situation as a threat to the country and its partners in the Persian Gulf (Ali F. N., 2019). Oman has been put on pressure by the Gulf countries particularly Saudi Arabia to reconsider its connection with Iran. The recent pressure is to support the new sanctions made by the United States on Iran as a result of the failure of Iran to obey and adhere to the JCPOA or Iran Nuclear Treaty 2015 (Sanger D. E., Wong E., Erlanger S., and Schmitt E., 2019). The United States has considered that Oman is located at the critical location in the Strait of Hormuz and thus it needs to form a firm relationship and cooperation to balance the threat posed by Iran. In this matter, the United States has endorsed cooperation with Oman on military and free trade to strengthen their relationship.

##### ***Oman as a Safe Corridor for Re-exports of Iranian Commodities***

Oman has entered into the World Trade Organization on 9 Nov 2000 (WTO, 2020). After that, Oman has entered into multilateral and bilateral relationship with other countries that Iran does not have. For example, the most prominent Oman's multilateral relations are Asian Cooperation Dialogue (ACD), Gulf-EU Dialogue and Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). The bilateral relations with other countries such as with the UK, the US, Egypt, India, China, Canada, Brunei, Brazil, Belize, Armenia, Kenya, Malaysia, Mexico, Pakistan, Russia, and South Korea (to name a few). The role to re-export Iranian products before this has been conducted by the UAE. Nevertheless, the UAE currently is complying with the US economic sanctions on Iran. The choice of Oman as the new backdoor trade route to the other countries gives benefit to both countries. Oman has established bilateral relations with 16 Arab countries, African and American countries, Singapore, Switzerland, Norway, Liechtenstein and Sweden. Through Oman, Iran is able to market its products with zero import duty because of the free trade agreements entered by Oman with the countries.

There are certain aspects to be developed in order to create such cooperation between two countries. One of that is to broaden maritime cooperation. In other words, Iran and Oman should have more direct shipping lines between ports to ports of both countries to make use of every opportunity to expand trades between two countries and beyond. The Iran-Oman's economic relations are strong because of the foreign policy of Oman, which is based on the wise diplomacy to maintain relationship by virtue of mutual benefit and cooperation with its neighbourhood countries. Beside the establishment of more direct shipping lines between ports, both countries have benefit from the logistic service in the ports by attract the service provider to invest more. In spite the shipping lines; Oman and Iran also can expand their logistic service sector, which mainly focused on the seaports. The strategic geographic location of Iran and Oman facing the Strait of Hormuz, the busiest maritime traffic in the world; attract international vessels to stop by at the ports and thus give benefit to the countries.

The other commodity that needed by both countries is the Liquefied Natural Gas (LNG). Oman had signed a memorandum of understanding (MoU) for the supply of Iranian natural gas through pipelines crossing the Strait of Hormuz that begin in 2015. Iranian gas gives benefit to both countries in terms of export and own consumption. Oman is only capable to produce less LNG for own consumption and need more supply to support its people. Oman receives the natural gas from Iran for 25 years' worth USD 60 billion. The commodity is adequate to supply for own consumption and at the same time exported to the rest of the world.

#### ***Establishment of Iran-Oman Joint Naval Patrol in the Strait of Hormuz***

Iran and Oman have established military cooperation from long time ago. In September of 2013, both countries signed a memorandum of understanding on the topic of increasing military cooperation in many forms, one of which is the conducting of a joint naval exercise in the strategic Strait of Hormuz (Ali, 2016:7). The close relationship has also been strengthened with the establishment of the Omani-Iranian Military Friendship Joint Committee. Through this cooperation, Iran and Oman had been conducting several joint naval exercises in the Strait to show and ensure the peace, cohesion and security in the region. The deficiency in this military cooperation is that there is no joint naval patrol operation mechanism has been established specifically focus on the security and maintaining the safe movement of international vessels sailing through the Strait of Hormuz. The benchmark for the operation is the operations in the Strait of Malacca, the second busiest chokepoint in international maritime waterways. There have been a set of practical cooperative efforts by the littoral states; Indonesia, Malaysia, Singapore and Thailand. The operations comprise of the Malacca Straits Sea Patrol (MSSP), the "Eyes-in-the-Sky" (EiS) Combined Maritime Air Patrols, as well as the Intelligence Exchange Group (IEG) (Collin, 2016).

#### **E. Analysis**

As pertaining to the concept of power, Iran and Oman have different means to show their power and influence. Iran has showed its power through military means and economic means. The problem arises between Iran and the situation in the Strait of Hormuz is because of this means. Iran has been bullied by international community especially super power like the US to suppress its domination in the Middle East by blocking its economy to develop. The discussion on the pressure on Iran's economy has been discussed in Chapter 3 when it involves economic sanctions by international organizations and the US for so many years. Iran on this concept of power also has developed and improved its military capabilities

comparable with other Middle East countries and the world. This military means has been seen as posing a threat to the other regional power and the world especially the global major powers. Iran's actions in the Strait of Hormuz are the reflection of securing its national interest. The threat to close the Strait is only to gain international attention to intervene in bringing back to normal situation; deescalate the tensions. In history, the Strait of Hormuz was never being close either by Iran or Oman even during the Iran-Iraq War in 1980 until 1988. The only threat during that time was the attack on the oil vessels on both countries and later it was known as Tanker War. The recent tensions in the Strait of Hormuz between the US and Iran are because of national interest of Iran has been compromised by the US when it reinstated the economic sanctions on Iran and retract economic waiver on the countries that buy oil from Iran. Thus, Iran retaliated by harassing the foreign oil vessels in the Strait of Hormuz or nearby.

Oman on the other hand, has different means of standing out its power and secures its national interest. Oman used diplomatic and economic means to show its power and influence in the region as well as in international politics. Its foreign policy of impartial and non-intervention with other countries has played an important role to put Oman as influential country in the world. Oman has established good relationship with Iran as well as the US. Its diplomatic acts were very successful and can be seen in many incidents that had been resolved by Oman. For example, Oman has successfully facilitated the Iran's nuclear deal in 2015 when Iran-P5+1 or the JCPOA was established and lifted the economic sanctions on Iran. Oman always perceived that political instability in the region particularly in the Strait of Hormuz could be a threat to its internal stability. Oman also had successfully arranged the release of US nationals held by Iranian authority, and Iranian nationals apprehended by the US and Britain, also the release of three US tourists that had entered illegally into Iran, the release of Iranian diplomats detained by Britain as well as Iranian scientist held by the US (Valeri, 2014). Oman always used conciliatory efforts to promote negotiated solutions to regional crises.

The causes for the conflict in the Strait of Hormuz in reality are bound by certain factors. The factors can be categorized into two parts; the internal factors and external factors. The internal factors involve the geopolitics of the Strait itself, the focus of major powers especially the US in the Strait, the incidents that occurred in the Strait and the intervention by foreign military forces that operating in the Strait. The external factors are the factors that contribute to the incidents and threat in the Strait in which it relates to the Iran's nuclear program, the economic embargo by the international community on Iran particularly unilateral sanctions by the US on Iran and economic waiver on other countries doing business with Iran. All of these factors contribute to the escalation of conflict in the Strait. By looking at the discussion on geopolitics and incidents happened in the Strait of Hormuz, it was actually a political tension between the United States and Iran. On the concept of power and national interest, the United States has to protect its economy by controlling the flow of the Persian Gulf oil through the Strait of Hormuz and at the same time maintains its influence in the region.

On part of economy, the stream of oil products crossing the Strait is necessary for the global economy. Even though the United States is no more depend on the Middle East oil industry, the disruption from the region gives huge impact on global economy. The other factors are the ambition of Iran to become a nuclear state has worsened its economy and social development. The sanctions by the global community on its economy have caused Iran to retaliate and pose a threat in the region that can affect the distribution of oil to the other parts of the world. The threat posed by Iran in reality to attract global community

towards its economy concession. In other words, Iran needs to negotiate its nuclear program in order to be free from economic sanctions. The threat to close the Strait is just a bargaining chip for further negotiation.

On the other hands, the impact of the conflict in the Strait of Hormuz in reality give rise to the global oil price in which it has domino effect on other economic sectors. With regards to Iran and Oman, the impact has more harm on Iran. The Iranian oil industry mostly centred at the Persian Gulf and the Strait of Hormuz. Iran needs to make smooth flow of its oil through the Gulf and the Strait. Most of Iranian revenue comes from oil industry and thus any disruption affects its economy and social development. On top of that, Oman's economy move together with the global oil price fluctuation as a result of supply and demand.

## **F. Conclusion**

As far as the conflict is concerned, there are several factors that can be considered to contribute to the conflict and events in the Strait of Hormuz as mentioned in the discussion before. The United States as an existing hegemon in the Persian Gulf region play significant role to the conflict. On the other hand, Iran as an emerging power in the region has been weakened by the economic sanctions imposed by the United Nations, the United States and the European Union because of its alleged violations on Iran Nuclear Deal 2015. Instead of negotiations, the United States imposed more unilateral sanctions on Iran and other countries that have trade relations with Iran. In retaliation, Iran had been suspected to conduct several attacks on oil vessels that sail through and outside the Strait of Hormuz. Other contributory factors to the conflict are the act of Iran and the United States that escalate after the demise of Iran Nuclear Deal 2015 in May 2018. It includes the reinforcement of the United States troops to Kuwait and also the assassination of Iranian Al-Quds Commander; Qassem Suleimani, in Iraq in January 2020 (Browne and Stracqualursi, 2020). Iran in retaliation had launched an attack on the United States facility in Iraq. The tensions made by the United States and Iran affect the security in the region especially with regard to the flow of oil products from the Persian Gulf area to the other parts of the world.

The disruption of the crude oil and other oil and gas products poses huge effect on the global economy. The conflict disrupts supply of global oil consumption. As far as Iran and Oman; the littoral states of the Strait of Hormuz, are concerned, the disruption gives bad impact on their economy and social matters. By looking at the concept of power and national interest, the United States and Iran have play their roles in protecting their interest in politics and economy in the Strait of Hormuz. The clash of their roles must be put to an end by negotiations and decision on the basis of win-win situation. The negotiation reduces the tensions and assists both littoral states of the Strait to boost their economy and secure the safe passage for the benefit of others. The potential cooperation between Iran and Oman can be seen in relating to the concept of power and the concept of national interest. Both countries are littoral states of the Strait of Hormuz. Thus, there are certain efforts could be made in order to strengthen the existing relationship in politics, economy and military. Both states rely on each other to deescalate the conflict in the Strait of Hormuz by utilizing the role of Oman as mediator to bring back the countries in conflict into negotiation and diplomacy. On top of that, while the negotiation has been worked on, both littoral states must depend on each other to secure and stabilized their economy impacted by the conflict.

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