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The Volatility of Nuclear Politics in the Middle East

Jesmeeen Khan

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Israel's recent aerial military exercise provoked speculation of Israeli plans to attack Iran's nuclear facilities. The repercussions of such an attack would reverberate beyond the Middle East.

IRAN'S CONTINUED defiance of the International Atomic Energy Agency's demand to halt its nuclear enrichment programme has prolonged the debate on how the international community respond to a nuclear-armed Iran. Perhaps the most daunting course of action would be a military operation against Iran. While Israel has stated that it is willing to support diplomatic efforts, it has refused to rule out military options. Speculation of an Israeli strike on Iran increased recently when Israel conducted an aerial military exercise over the eastern Mediterranean Sea.

A Potential Attack on the Horizon

Iran vehemently denies the intention to develop nuclear weapons, but some in the international community fear that Iran will be capable of enriching an amount of uranium sufficient to build nuclear weapons. Based on the most recent United States and Israeli intelligence estimates, Iran's Natanz nuclear plant may succeed in this by 2009.

On 2 June, Israel conducted an aerial military exercise in which dozens of Israeli warplanes and aerial refueling tanker aircraft flew hundreds of kilometres into the eastern Mediterranean Sea. The US military estimates this approximated the distance Israeli planes would need to travel for an attack on the Natanz nuclear plant. Israeli military leadership said that such exercises are routine training to help Israel prepare to confront certain threats.

Combat on Two Fronts

Analysts suggest that any insinuation, be it a military exercise or an Israeli politician's remarks, that Israel may attack Iran's uranium enrichment plants is a tactic to deter Iran and also impel world powers to increase pressure on Iran's nuclear programme. However, an Israeli attack on a nuclear facility is not without precedence. Israel bombed the Osirak nuclear reactor in Iraq in 1981, as well as an alleged North Korean-constructed nuclear reactor in Syria in 2007.

However, David Albright, the president of the Institute for Science and International Security, says that Iran's uranium enrichment programme would not be significantly impaired in the event of an attack on the Natanz plant. Unlike Syria and Iraq, Iran has several nuclear plants that are well-protected and geographically dispersed. Iran's latest production of IR-2 centrifuges are also difficult to locate.

Tehran has vowed that it would launch ballistic missiles against Israel in retaliation for an attack. It has already upgraded its Shahab-3 missile, which has a range capable of reaching Israeli territory. Added to the equation is Hizbullah, Israel's long-standing enemy based in southern Lebanon. Iran is allegedly Hizbullah's primary means of support, providing the paramilitary organization with arms, explosives, military training, and funds. If an attack were to occur, Hizbullah would likely employ its vast reserve of militant fighters and weaponry, including thousands of rockets and missiles, against targets in Israel and possibly Israeli interests abroad. Hizbullah has long-range missiles that can reach Tel Aviv or the Israeli port city of Haifa. Hassan Nasrallah, the leader of Hizbullah, has stated that the organization's defence shield has fully recovered since the war with Israel in 2006, and that its rocket force is stronger than during the war.

Energy Security will become Uncertain

Military confrontation between Israel and Iran is likely to inflame global oil market tensions internationally. Abdalla Salem el-Badri, the secretary-general of the Organization of Petroleum Exporting Countries (OPEC), has already warned that the price of oil will see an "unlimited" rise if Iran comes under attack. As the second largest member of OPEC, Iran produces nearly 5% of the daily global production rate of 87 million barrels. The remaining members would be incapable of compensating for the lost production.

Emboldened by its growing regional status, there are a number of methods by which Iran could threaten the global oil market in retaliation. Iran signaled that counterattacks would be imminent when it recently test-fired several missiles near the Persian Gulf. Iran has the capability to launch these missiles against key oil installations in Kuwait, the oil loading installation in Basra, Iraq, and the Abqaiq plant in Saudi Arabia. These sites alone process over 8 million barrels of crude oil per day.

Iran could also strike by interfering with traffic in the Strait of Hormuz. Missiles are already positioned along the coast, while mine-planting ships can promptly be deployed. Oil tankers from Gulf countries could be prevented from transporting shipments through the strait, the only exit point for these shipments. Largely bound for markets in Asia, any constriction on the Gulf's oil flow will interrupt 30% of the world's total daily production.

Although the US Navy's fleet based in the Persian Gulf would terminate an Iranian attempt to barricade the strait, speculation of a temporary disruption to the smooth flow of oil traffic would contribute to a spike in oil prices. In addition to increasing global demand, speculation of an attack, OPEC's low spare capacity, and a shortfall in refining capacity, any disruption to the production and transportation of oil from the Gulf region would contribute to steadily rising oil prices and may be perilous to worldwide energy security.

Impact on Singapore

With a trading relationship valued over US\$1 billion, Singapore may stand to lose significant opportunities if Iran is attacked. Iran exports hundreds of thousands of barrels of crude oil to be refined in Singapore a day. Singapore's projected population growth from 4 million to 6 million people will require a greater demand for petroleum that it will need to secure. Since Iran does not trade with many of the large economies on account of sanctions, Singapore is in a position to serve not only

as a trading partner, but also as a potential intermediary for trade between Iran and Southeast Asia. Functioning as a hub of trade and financial links will contribute to the growth of Singapore's investment income.

Singapore has already recognized investment opportunities in the Middle East when the Singapore Business Federation (SBF) sponsored the formation of the Middle East Business Group (MEBG) in order to facilitate the pursuit of investment, industrial partnerships and trade between Singaporean and Middle Eastern companies. An estimated 200 Singaporean companies engage in business with the MEBG, and have concluded business deals worth hundreds of millions of dollars. In addition to potential setbacks to Iran-Singapore business partnerships, an attack on Iran is likely to threaten the business and investment climate throughout the Gulf region, if not the entire Middle East.

The Domino Effect

With more talks between Iranian and Western representatives in the near future, preemptive attack plans could derail attempts to engage Iran in negotiations and lead to further isolation. An Israeli attack will not only endanger its fragile stability, but also set off a chain of consequences well beyond the region. International energy security will be at stake unless the international community prevents a potential attack in the midst of fluctuating oil prices.

Jesmeen Khan is a Research Analyst with the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University.