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DEALING WITH IRAN

Strike-first idea a mistake

By Jesmeen Khan

IRAN vehemently denies the intention to develop nuclear weapons, but some in the international community fear that it will soon 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 next year.

On June 2, Israel conducted an aerial military exercise in which dozens of Israeli warplanes and aerial refuelling 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 to attack the Natanz nuclear plant. Israel's military leadership said that such exercises constituted routine.

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. An actual Israeli attack on a nuclear facility, however, would not be without precedence. Israel bombed the Osirak nuclear reactor in Iraq in 1981, as well as an alleged North Korean-constructed nuclear reactor in Syria last year.

Mr David Albright, 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, well-protected and geographically dispersed. Iran's latest production of IR-2 centrifuges are also difficult to locate.

Teheran 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 Hizbollah, Israel's longstanding enemy based in southern Lebanon. Iran is allegedly Hizbollah's primary means of support, providing the paramilitary organisation with arms, explosives, military training and funds.

If an attack were to occur, Hizbollah would likely employ its reserve of militant fighters and weaponry, including thousands of rockets and missiles, against targets in Israel and possibly Israeli interests abroad. Hizbollah has long-range missiles that can reach Tel Aviv or the Israeli port city of Haifa. Hizbollah's leader Hassan Nasrallah has stated that the organisation's defence shield has fully recovered since the war with Israel in 2006, and that its rocket force is stronger than during the war.

A military confrontation between Israel and Iran will inflame the global oil market. Mr Abdalla Salem El-Badri, secretary-general of the Organisation 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 per cent of the daily global production rate of 87 million barrels. Other Opec members would be incapable of compensating for the lost production.

There are a number of ways Iran could threaten the global oil market. It has already signalled that counter-attacks 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 eight million barrels of crude oil per

day.

Iran could also interfere with traffic in the Strait of Hormuz. Missiles have already been positioned along the coast, and mine-planting ships can be deployed promptly. 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 in the Gulf's oil flow will interrupt 30 per cent 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 about a temporary disruption to the smooth flow of oil traffic would contribute to a spike in oil prices. Any disruption to the production and transportation of oil from the Gulf region would be perilous to worldwide energy security.

Consequences for Singapore

WITH a trading relationship with Iran valued at over US\$1 billion (S\$1.4 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 every day. 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 South-east Asia.

Singapore recognised investment opportunities in the Middle East when the Singapore Business Federation sponsored the formation of the Middle East Business Group (MEBG) 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 will threaten the business and investment climate throughout the Gulf region, if not the entire Middle East.

A pre-emptive attack would 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 severely damaged if the international community fails to prevent a pre-emptive attack on Iran's nuclear facilities.

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