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THE STRAIT OF HARMUZ: A GATEWAY TO WORLD'S TRADE AND BUSINESS

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Abstract
The Strait of Hamruz, being one of the world's most significant waterways, has gained great importance during the recent US-Israel and Iran conflict. The Strait caters for 20% to 25% of the world trade and business in terms of oil and petroleum products besides Liquefied Natural Gas. It owes its significance for its being one of the shortest sea-routes across the globe but situation took a very dramatic turn when the Strait of Harmuz was closed by Iran in the wake of recent escalation of tension in the region. Comprising eight islands with Iran being in control of seven islands, has been exercising control over the waterways since 1970s. Normally the flow of crude oil and petroleum products passing through the Strait of Harmuz on daily basis stands at 20 million barrels per day. Objective of the study aims at exploring the trade and business through the Strait of Harmuz while research questions address the issues of chokepoints, market accessibility, and use of alternative routes. Main findings of the study include huge loss to the global community as a result of the disruption of the Strait of Harmuz, heavy loss to the US economy and de facto control of Iran over the area.

Introduction

The Strait of Harmuz is one of the most significant narrow water channels used by the countries for the transportation of oil and petroleum products across the globe. The strait is approximately 30 miles wide at the narrowest point, between Iran and the Omani Musandam Peninsula, connecting the Persian Gulf to the Gulf of Oman (Center, 2026). The Strait is deep and relatively free of maritime hazards where its depth is greatest near the Musandam Peninsula and tapers towards the Iranian shore. The Strait is open for all types of trade for all the countries save the US and its allies (Aljazeera, 2026). The strait provides for the shortest route and is being used by the regional and global dynamics for the transportation of oil and petroleum products. Normally commercial traffic through the strait flow the designated Traffic Separation Scheme (TSS) north of the Musandam Peninsula, but the water is also deep enough for the large ships for travelling through an Inshore Traffic Zone south of the Omani Island of Didimar (Center, 2026).

The Strait contains eight major islands, seven of which are controlled by Iran (Center, 2026). Iran and the United Arab Emirates (UAE) disagree to the ownership of the strategically located Abu Musa, Greater Tunb, and the Lesser Tunb Islands. Since 1970s, Iran has been maintaining a military presence on these Islands coupled with Iran's navy having good access to open sea from bases at Bandar Abbas, BA ¼ shehr and Chah Bahar (Center, 2026). The strait is deep enough and wide enough to handle the world's largest crude oil tankers and it is one of the world's most important oil chokepoints (Analysis, 2025). The Strait enjoys the most important geostrategic location in the region, lying between the Iran and Oman, with their Exclusive Economic Zones (EEZ) meeting in the middle (Kent & Chol , 2026). The narrowness of the waterway makes it easier for Iran to attack vessels, because ships don't have space to make maneuvers or warning time to escape threats (Kent & Chol , 2026).

Trade through the Strait of Harmuz

Large volumes of oil flow through the strait, and very few alternative options exist to move oil out of the strait if it is closed. In 2024, oil flow through the strait averaged 20 million barrels per day (b/d), or the equivalent of about 20% of global petroleum liquids consumption. In the first quarter of 2025, total oil flows through the Strait of Hormuz remained relatively flat compared with 2024 (Analysis, 2025). The *de facto* control of Iran over these Islands strengthens Iranian influence in the region and particularly over the waters in the strait. The Iranian gulf coast is generally not conducive to human habitation and development because of both topography and climate: generally arid and unbearably hot. However, despite that, extensive oil operations in the south have brought some development to the area. Over a month of the conflict between Israel, Iran and the United States as of April 8, 2026, Iran does not seem to lose its capacity to control the Strait of Harmuz (Nevitt, 2026). Despite the fact that the United States has agreed to a two week suspension of strikes against Iran, Tehran still continues to exercise a de facto control over the Strait of Harmuz (Nevitt, 2026).

Weather and atmosphere in the area is normally hot and foggy over the year particularly July and August are considered as the hottest months of the year. Visibility remains greatly affected during morning due to dust, morning fog, and haze where haze remains most common in the Sothern coast of Iran. Frequent offshore winds add further in brining humidity and dust can pose hazards to the terminal loading operations of oil tankers in the Gulf. (Strait of Harmuz, Countries, Location, Map, Importance, 2025). The Strait of Harmuz is one the most geographically sensitive waterways of the world, connecting the oil-rich Persian Gulf to the open seas of the Gulf of Oman and Arabian Sea

(Strait of Harmuz, Countries, Location, Map, Importance, 2025). Every day, millions of barrel of crude oil and large volumes of Liquefied Natural Gas (LPG) passes through this maritime corridor making it central to global energy markets. The strait's significance is not just economic but deeply intertwined with regional politics and global security (Strait of Harmuz, Countries, Location, Map, Importance, 2025).

The Strait of Harmuz and Chokepoints

The Strait of Harmuz is one of the world's most important chokepoints carrying around a quarter of global seaborne oil trade and significant volumes of liquefied natural gas and fertilizers (Development, 2026). But the ongoing military escalation in the region has disrupted shipping flows through this narrow passage (Development, 2026). Located between Oman and Iran, the Strait has a long history of being as a chokepoint used for global trade and is the only sea passage for critical oil and gas producing countries in the Gulf, (Iraq, Kuwait, Saudi Arabia, Bahrain, Qatar, and the UAE) (MUFG, 2206). Chokepoints are narrow channels along major global shipping routes that are critical to global security (Analysis, 2025). The inability of oil to transit a major chokepoint can cause temporary delays in substantial oil supplies and increase shipping costs, leading to higher global energy prices.

It is also important to note that most chokepoints can be bypassed using alternative routes; this often increases transit time, but not all chokepoints have alternative routes. Most volumes transiting the Strait of Hormuz have no alternative means of exiting the region; although some pipeline alternatives exist that can avoid the Strait of Hormuz. The strait is deep and wide enough to accommodate the world's largest tankers and is one of the world's most significant oil chokepoints (Analysis, 2025). Large volumes of oil flow through the strait, and there are very few alternative options for removing oil from the strait if it were to close. In 2024, oil flow through the strait averaged 20 million barrels per day (b/d), equivalent to approximately 20% of global consumption of petroleum liquids. In the first quarter of 2025, total oil flow through the Strait of Hormuz remained relatively stable compared to 2024 (Analysis, 2025).

Between 2022 and 2024, crude oil and condensate volumes transiting the Strait of Hormuz decreased by 1.6 million b/d, which was only partially offset by a 0.5 million b/d increase in petroleum product shipments. The decline in oil transit through the strait partly reflects OPEC+'s (Organization of the Petroleum Exporting Countries) decision to voluntarily cut crude production on several occasions starting in November 2022, which reduced exports from Saudi Arabia, Kuwait, and the United Arab Emirates (UAE) (Analysis, 2025). Furthermore, the disruption of oil flow in 2024 around the Bab el-Mandeb Strait, connecting the Arabian Sea to the Red Sea, led Saudi state oil company Aramco to divert crude oil shipments from the Strait of Hormuz, sending them instead overland through its East-West pipeline to Red Sea ports.

Moreover, increased refining capacity in the Persian Gulf states boosted regional demand for crude and diverted some of the flow to local markets within the Persian Gulf (Analysis, 2025). Flows through the Strait of Hormuz in 2024 and the first quarter of 2025 accounted for more than a quarter of global seaborne oil trade and approximately one-fifth of global consumption of oil and petroleum products. In addition, around one-fifth of global liquefied natural gas trade also transited the Strait of Hormuz in 2024, primarily from Qatar. According to tanker tracking data published by Vortexa, Saudi Arabia ships more crude oil and condensate through the Strait of Hormuz than any other country. In 2024, Saudi Arabia's crude oil and condensate exports accounted for 38% of total crude oil flows through the Strait of Hormuz (5.5 million barrels per day).

Alternative Routes

Some countries have the potential to transport oil without using the Strait of Hormuz. Among them are Saudi Arabia and the United Arab Emirates (UAE), which have infrastructure that allows them to bypass the Strait of Hormuz, potentially mitigating some disruptions to transit through

the strait. In this region, pipelines are not operating at full capacity, supplying approximately 2.6 million barrels per day (b/d). The Saudi Arabian and UAE pipelines could be available to bypass the Strait of Hormuz in the event of a supply disruption (Analysis, 2025). Saudi Aramco operates the East-West pipeline, with a capacity of 5 million b/d, which runs from the Abqaiq oil processing center near the Persian Gulf to the port of Yanbu on the Red Sea. In 2019, Aramco temporarily expanded the pipeline's capacity to 7 million b/d by converting some natural gas liquids pipelines to carry crude oil (Reddit, 2026). In 2024, Saudi Arabia pumped more crude oil through the East-West pipeline to avoid disruptions to shipping around the Bab al-Mandab Strait.

The United Arab Emirates also operates a pipeline that bypasses the Strait of Hormuz. This pipeline, with a capacity of 1.8 million barrels per day, connects onshore oil fields to the Fujairah export terminal on the Gulf of Oman. In 2024, the volume of crude oil and condensate from the UAE transiting the Strait of Hormuz was 0.4 million barrels per day lower than in 2022, as refinery improvements allowed for the local refining of more heavy crude. These improvements also enabled the UAE to increase exports of its lighter crudes, which increased pipeline usage to the Fujairah export terminal. The increased pipeline usage for daily operations has limited the spare capacity available to divert additional volumes around the Strait of Hormuz. Iran inaugurated the Goreh-Jask oil pipeline and the Jask export terminal in the Gulf of Oman (bypassing the Strait of Hormuz) with a single export shipment in July 2021 (Reddit, 2026). The pipeline's effective capacity remains at around 300,000 barrels per day. However, during the summer of 2024, Iran exported less than 70,000 barrels per day (b/d) from the ports of Bandar-e-Jask and Kooh Mobarak via the Goreh-Jask pipeline, and suspended loading after September 2024 (Reddit, 2026).

Markets Access

According to an estimate 84% of the crude oil and condensate, and 83% of the liquefied natural gas (LNG) transiting the Strait of Hormuz, were destined for Asian markets in 2024. China, India, Japan, and South Korea were the main destinations for crude oil shipped to Asia via the Strait of Hormuz, collectively accounting for 69% of total crude oil and condensate flows in 2024. These markets are likely to be the most affected by supply disruptions in the Strait of Hormuz. In 2025, exports of major petroleum-derived

transportation fuels, including gasoil, gasoline, and jet fuel, averaged 2.4 million barrels per day (b/d), similar to the previous year (Energy, 2026). Gasoil, commonly sold as diesel, accounts for more than half of these exports and the entire year-over-year decrease. Exports of gasoline and jet fuel increased slightly in 2025 compared to 2024. As in previous years, Mexico was the most popular destination by volume for all three fuels, especially gasoline (Energy, 2026).

Gasoil, primarily diesel, is the most exported U.S. transportation fuel and the third most exported petroleum product, after crude oil and propane. Gasoline exports in 2025 decreased by 28,000 barrels per day (2%) compared to 2024 and remained below 2019 levels (Young, 2026). Exports to Mexico averaged about 220,000 barrels per day (17% of total distillate exports), the largest amount to any country, but approximately 48,000 barrels per day (18%) less than in 2024 (Paz, 2025). As per reports of the US Energy Information Administration (EIA), distillate fuel remains the largest transportation fuel exported from the U.S. and the second-largest petroleum product export overall, behind propane. EIA data shows that in 2024, distillate exports climbed by 182,000 b/d to reach 1.30 million b/d. While this figure fell short of the 2017 record of 1.38 million b/d, it reflects a strong rebound in global demand (Paz, 2025). Mexico leads all destinations for U.S. distillate fuel, importing 272,000 b/d, or 21% of total U.S. distillate exports. Other top destinations include Chile (110,000 b/d), the Netherlands (103,000 b/d), the UK (81,000 b/d), and Peru (74,000 b/d), according to the EIA (Paz, 2025).

The second-largest destination for distillate exports was Chile, where exports increased by approximately 16,000 barrels per day (15%) compared to 2024. The Strait of Harmuz, through which an average of 20 million barrels per day (mb/d) of crude oil and petroleum products were shipped during 2025, has been one of the most critical chokepoints catering for about 25% of the world's trade transiting the Strait (IAEA, 2026). The third-largest destination for U.S. distillate exports last year was Brazil. Distillate exports to Brazil have declined significantly since 2019, when they averaged nearly 200,000 barrels per day. In 2025, distillate exports to Brazil averaged 103,000 barrels per day, more than double the 2024 volume, but below the volumes of 2022 or earlier years. The decline in distillate exports to Brazil partly reflects a shift in the global distillate trade after 2022. United States (US) and the European Union (EU) sanctions against Russia reduced imports of Russian distillates to European markets following the EU ban imposed in December 2022. Many Brazilian importers began importing discounted Russian fuel during this period, displacing volumes from the United States (Paz, 2025).

Exports of distillates to destinations in Europe remained stronger in 2025 than prior to 2022. The United Kingdom set a record in terms of annual average in 2025, reaching 89,000 barrels per day (b/d) and surpassing the previous record of 86,000 b/d set in 2024 (Paz, 2025). Exports of distillates to the Netherlands increased by 5,000 b/d (5%), totaling 98, 000 b/d. 2025 saw the highest volume of distillate exported to the Netherlands since 2015. US gasoline exports, including finished gasoline and blending components, averaged 902,000 barrels per day (b/d) in 2025 (IAEA, 2026).

In 2025, exports of major petroleum-derived transportation fuels, including gasoil, gasoline, and jet fuel, averaged 2.4 million barrels per day (b/d), similar to the previous year (Energy, 2026). Gasoil, commonly sold as diesel, accounts for more than half of these exports and the entirety of the year-over-year decline. Exports of gasoline and jet fuel increased slightly in 2025 compared to 2024. As in previous years, Mexico was the most popular destination by volume for all three fuels, especially gasoline (Energy, 2026). Gasoil, primarily diesel, is the leading transportation fuel exported by the United States and the third most exported petroleum fuel, after crude oil and propane. Gasoline exports in 2025 decreased by 28,000 b/d (2%) compared to 2024 and remained below 2019 levels. Exports to Mexico averaged about 220,000 barrels per day (17% of total distillate exports), the largest amount to any country, but approximately 48,000 barrels per day

(18%) less than in 2024. The second-largest destination for distillate exports was Chile, where exports increased by approximately 16,000 barrels per day (15%) compared to 2024.

U.S. gasoline exports, including finished gasoline and blending components, averaged 902,000 barrels per day (b/d) in 2025, an increase of 28,000 b/d (3%) from 2024. Mexico remains the top destination for gasoline exports by volume, at 486,000 b/d, or 54% of the total. Historically, Mexico has not only been the largest importer of U.S. gasoline but has also received more than half of U.S. exports in all but three years since research began publishing country-specific export data in 1993. The next largest destinations after Mexico by share of gasoline exports in 2025 were Guatemala (6%), Colombia (5%), the Bahamas (4%), and Ecuador (3%). Over the past 10 years, Canada was the second-largest destination for U.S. gasoline exports after Mexico, but in 2025, Canada received only 22,000 barrels per day (approximately 2%) of U.S. gasoline exports, the lowest figure since 2009 (Young, 2026). In 2025, exports of major petroleum-derived transportation fuels, including gasoil, gasoline, and jet fuel, averaged 2.4 million barrels per day (b/d), similar to the previous year. Gasoline, commonly sold as diesel, accounted for more than half of these exports and the entire year-over-year decrease. Exports of gasoline and jet fuel increased slightly in 2025 compared to 2024. As in previous years, Mexico was the most popular destination by volume for all three fuels, especially gasoline (Peterson, 2026).

Discussion and Conclusion

The Strait of Harmuz has been one of the most significant waterways used by the global dynamics for the transportation of trade and business across the globe. Round about 20% to 25% of the world's trade is carried out through this sea-route but recently it has drawn the attention of the whole world on account of its being controlled by Iran in the wake of US-Israel attack on Iran. The strait makes provision for the shortest route for being used by the regional and global dynamics for the transportation of oil and petroleum products but situation took a dramatic turn when the water channel was blocked by Iran for all trade and commercial activities. The Strait contains eight islands whereby seven islands remain under the possession of Iran and has been ensuring its control over the area since 1970s. It handles the world's largest crude oil tankers and is one of the most important oil chokepoints catering for the flow of large volume of oil and petroleum products with very limited options of alternative route if it is closed down. During 2024, the flow of oil products averaged at 20 million barrels per day (b/d), normally equating about 20% of the global petroleum products.

Iran's *de facto* control over the strait of Harmuz has strengthened its control over the territory and particularly over the waters of the strait. Though the gulf coast in not conducive for human habitation yet extensive oil operations in the area have brought some development in the area. Normally weather remains unpredictable, dust and fog, low visibility, hot nature of weather, and frequent offshore winds further add to the increased problems in hazards to terminal loading operations of oil tankers in the Gulf. Sometimes, delays can be made in the supply of oil and petroleum on account of the inability of oil to be transited through a major chokepoint and can further lead to increase in the price of shipping costs.

Some countries of the world such as Saudi Arabia and United Arab Emirates have the potentiality to transport oil and petroleum products without using the Strait of Harmuz. In this region, capacity of pipelines don't have full trajectory having approximately a supply of 2.6 million barrels per day (b/d). The UAE also bypasses the Strait of Harmuz by having a pipeline with a capacity of 1.8 million barrel per day (b/d). Even Iran can bypass the Strait of Harmuz by using the its own inaugurated pipeline, the Goreh-Jask, and the Jask export terminal in the Gulf of Oman having a capacity of 30, 000 barrels per day (b/d). As per reports of 2024, the Asian market is destined for 84% of the crude oil and condensate, while 83% of the liquefied natural gas transits through the Strait of Harmuz. The main recipients of this crude oil shipped to Asia through this route include China, India, Japan, and South Korea that amounts to

about 69% of the total crude oil and condensate flowing in 2024.

US economy has suffered a lot on account of the closure of the Strait of Harmuz since distillate fuel counts for the largest transportation fuel from the United States. Of all the countries, Mexico leads all the destinations for the US distillate fuel amounting to 272, 000 barrels per day, which accounts to 21% of the total US distillate fuel, the Chile (110,000 barrels per day) amounting to 15%, the Netherlands (103,000 barrels per day), the UK (81, 000 barrels per day), and Peru (74, 000 barrels per day). Brazil is also one of the most important destinations for the US distillate fuel where its distillate exports during 2025 stood at an average of 103, 000 b/d. Countries suffered as result of the disruption of the Strait include China, India, Japan, and South Korea collectively accounting for about 69% of the total crude oil and condensate flows during 2024. Disruption in the Strait of Harmuz caused irreparable loss to the markets and trade activities of these countries besides the United States that had to export distillate fuels to Mexico, Chile and Brazil besides other countries of the world. It is important to mention that Gasoil is the most exported US transportation fuel and is considered as the third most exported petroleum product, after crude oil and propane. In order to overcome all the problems faced by the world community emanating from the disruption of the Strait of Harmuz, a viable solution is the only remedy for world trade and business.

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