



RISK NOTE: Implications for shipping in the Persian/Arabian Gulf from US assassination of Iranian General Qassem Soleimani in Iraq

3 January 2020

A US drone attacked on 3 January a vehicle on Baghdad Airport road carrying Iran's Islamic Revolution Guards Corps (IRGC) Qods Force (QF) General Qassem Soleimani, as well as Abu Mahdi al-Muhandis, the Iraqi deputy commander of the Popular Mobilisation Units (PMUs). Both were immediately killed. Iran's Supreme Leader Ali Khamenei promised 'harsh vengeance', and Defence Minister Amir Hatami also promised revenge. Following US airstrikes on 30 December that killed 25 PMU personnel in Iraq in response to the 27 December killing of a US contractor, IHS Markit had assessed that Iran was likely to retaliate. Iran's incentive to retaliate has increased further.

- **IHS Markit has increased the assessed probability of a full-scale war between the US and Iran from 25% to 35% in the 12-month outlook.** Such a scenario would most likely involve Iranian ballistic missile strikes causing major structural damage to ports throughout the Gulf, and US airstrikes on Iranian ports. Iran would most likely also launch anti-ship missiles against commercial vessels and deploy sea mines to shut the Strait of Hormuz, with clearance operations lasting up to several months. The assassination of Qassem Soleimani took place while multiple mediations between Iran and the US, via Switzerland, Oman and Japan, were underway. It is unclear if the assassination reflects the complete failure of negotiations, the US frustration and inability to turn the tide against Iran, or the US' assessment that Soleimani's activities were an insurmountable obstacle to successful negotiations, and that more pressure was needed before negotiations succeed. The killing shows the US' intent to confront Iran head-on, this time militarily rather than just economically. It is unclear what the US' next steps will be in response to further Iranian actions, but they are almost certain to be also escalatory.
- **Iran remains very unlikely to shut the Strait of Hormuz outside of a full-scale war scenario.** The main purpose for Iran to shut the Strait would be as a mechanism to cause US allies and rivals alike who are economically reliant on the flow of oil through the Strait to pressure the US to halt a war. Outside of a war scenario, shutting the Strait would have the opposite effect, making US allies and rivals alike pressure the US into re-opening the Strait by force to permit the flow of oil.
- **Iran will probably respond to the assassination of Soleimani by intensifying harassment of commercial shipping in the Gulf and targeting commercial port facilities of US allies.** Retaliation is likely to focus on demonstrating Iran's ability to hurt the US' and its allies' economic interests in the region, rather than seeking to inflict large numbers of US casualties, which would carry a far higher risk of escalating into a full-scale war. This is likely to involve an intensification of harassment of commercial shipping in the Persian/Arabian Gulf, the Strait of Hormuz, and the Gulf of Oman, as well as further attacks, sometimes attributed to the Houthi and probably comprising of cruise missile or weaponized UAVs, against ports and offshore facilities, energy, desalination, and aviation assets. The

presence of the US-led maritime security force, Operation Sentinel, comprising of US, Australia, Bahrain, UK, Saudi Arabia, UAE, and Albania, mitigates the risk of harassment attempts, but also increases the risk of incidents escalating into an unintended military confrontation. Unlike attacks between May and September 2019, IHS Markit assesses that, given the willingness of the US to strike such a high-level Iranian target, the UAE and Saudi Arabia are more likely to be emboldened to respond against Iran if they are attacked, raising the risk of escalation and full-scale confrontation.