

STRAIT Vs BYPASS

How narrow waters hold the world economy hostage

Roughly 80 percent of the volume of everything humanity trades — the grain, the crude, the containers full of objects nobody strictly needs travels by sea, aboard a world merchant fleet of 2.42 billion tonnes deadweight.

That is the polite, statistical way of saying it. The impolite way is this: the global economy is a fleet of very large, very slow ships obliged to file, one behind the other, through a handful of gaps between landmasses that geography carved long before anyone thought to insure a cargo.

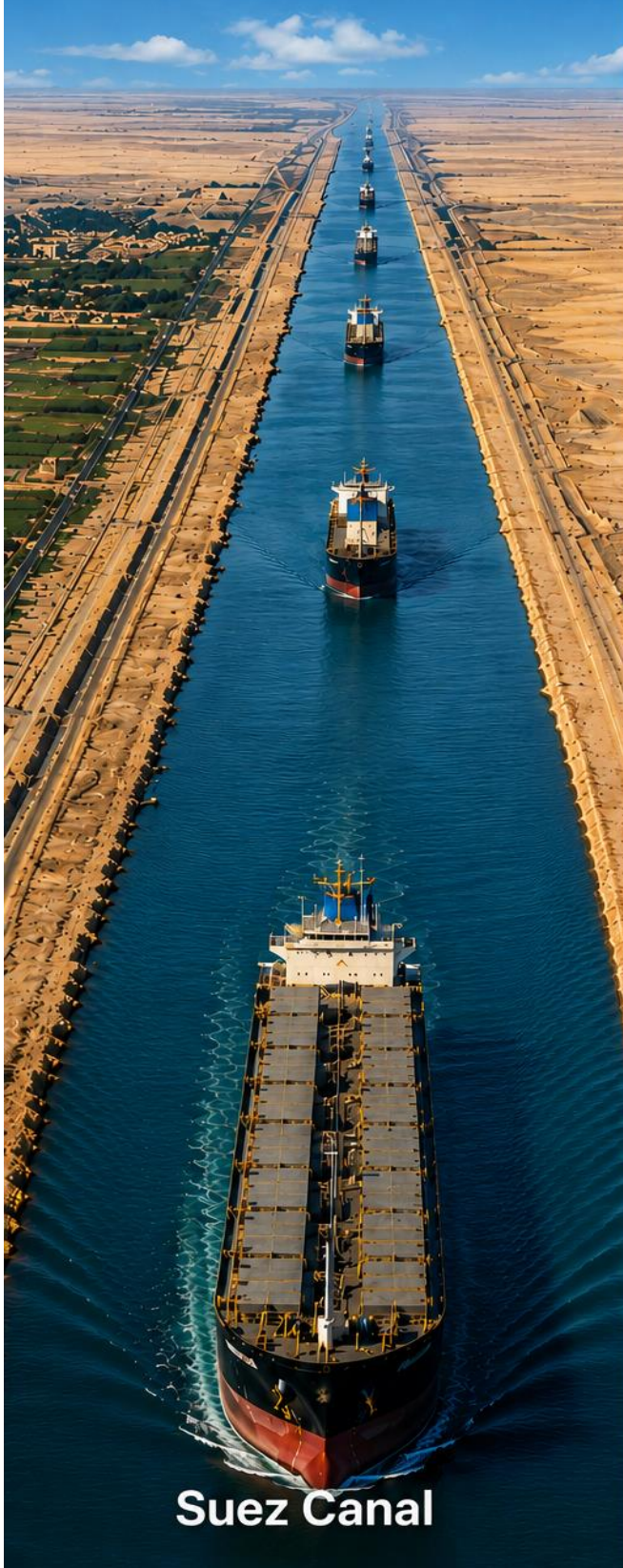
Look at the table. **Hormuz**, at its narrowest, funnels a fifth of the world's oil and a comparable share of its liquefied gas past the coastline of the one country most frequently threatened with blockade and most practised at threatening one back.

Malacca carries roughly a third of global trade through a channel that shallows and narrows precisely where the traffic is densest, with no serious substitute within a thousand miles.

Bab el-Mandeb and Suez, sold for a century and a half as the shortcut between Asia and Europe, have lately been demonstrating what a shortcut is worth when men with cheap drones dislike your flag.

Panama depends on rainfall. The **Bosphorus** depends on a treaty from 1936 and the mood of the power that administers it. Dover and **Gibraltar** are so domesticated that everyone forgets they are chokepoints at all until someone remembers. The Cape of Good Hope adds ten days to two weeks, burns fuel, devours schedules, and reshuffles every insurance premium on the route; for gas carriers and time-sensitive cargo it is less an alternative than a confession of failure. Some flows have no detour at all: Gulf gas either exits through Hormuz or it stays in the ground.

STRAIT **vs** BYPASS



Suez Canal



UAE West- East Pipeline - 2027

This is the arithmetic that no summit communiqué ever quite states aloud. The system was built on the assumption that the gates stay open because it is in everyone's interest that they do. That assumption is now being tested, simultaneously, at several gates at once and the interesting question is no longer whether a strait can be closed, but what a credible threat of closure is worth to the man holding it.

Through the seven systems that transmit it inland, past the two great bypass projects racing the clock, and down to the flag-waving of the smaller players who have understood, faster than most, which way the water is flowing.

THE SEVEN STRESSES

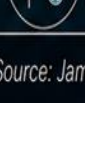
A blocked strait does not stay a shipping story for long. The pressure travels inland along seven distinct transmission systems, each with its own speed, its own victims, and its own institutions caught flat-footed.

1. **Shipping logistics** the physical movement of goods. The first and fastest casualty. Rerouting is not a detour, it is a repricing: longer voyages absorb tonnage, absorbed tonnage tightens capacity, tight capacity is invoiced to everyone.
2. **Pharmaceutical supply** active pharmaceutical ingredients concentrated in a handful of Asian production hubs, moving west on the same lanes as everything else. Medicine does not queue better than furniture; it merely fails more visibly.
3. **Winter gas storage** the LNG that must reach European terminals in Q4 to fill the tanks that make January survivable. Gas carriers are the least flexible ships afloat: fixed routes, fixed berths, fixed deadlines set by the weather.
4. **European banking and sovereign finance** debt markets already priced for calm. Energy shocks feed inflation, inflation feeds yields, yields feed the sovereigns least able to afford them.
5. **Trade finance** the letters of credit that make a stranger load a cargo for another stranger. Trade finance is confidence in paper form, and confidence reprices faster than freight.

6. Food imports and regional stability wheat, cooking oil, fertilizer.

The importing states of North Africa and the Middle East discovered in 2022 what a distant war does to the price of bread. Bread prices, in that part of the world, are not an economic indicator; they are a political one.

7. Dollar settlement architecture versus the yuan the quiet contest underneath all the others. Cargoes priced in dollars transmit shocks at dollar magnitude; every disruption is one more sales argument for the yuan-denominated alternative Beijing is patiently assembling.

CHOKEPOINT	PRIMARY SIGNIFICANCE	ESTIMATED SHARE OF GLOBAL SEABORNE TRADE	OIL & LNG (%)	GENERAL CARGO (%)
 Strait of Malacca	Shortest route between Middle East/Asia	 ~25–30%	 30–35%	 65–70%
 Strait of Gibraltar	Gateway to Mediterranean/Atlantic	 ~10–20%	 15–20%	 80–85%
 Suez Canal	Asia–Europe transit	 ~12%	 20–25%	 75–80%
 Strait of Hormuz	Energy exports (oil/LNG)	 ~11%	 85–90%	 10–15%
 Bab el-Mandeb	Link to Suez/Red Sea	 ~9%	 20–30%	 70–80%
 Danish Straits	Baltic to North Sea energy/bulk transit	 ~3–5%	 35–45%	 55–65%
 Panama Canal	U.S. Gulf/East Coast to Asia	 ~3%	 10–15%	 85–90%
 Turkish Straits	Black Sea grain and energy	 ~3%	 40–50%	 50–60%

Source: James Marinero – The Dock on the Bay

None of these systems operates alone. Maritime logistics set the tempo of pharmaceutical delivery.

Shipping delays throttle LNG arrivals. Energy prices leak into sovereign borrowing costs; sovereign stress soaks into bank balance sheets; banking conditions decide whether trade finance is extended or withdrawn.

Above the whole cascade sit the two architectures that shape it: dollar pricing fixes the magnitude of the shock, and chokepoint doctrine who threatens, who escorts, who blinks decides whether markets treat a disruption as an episode or lock it in as the new baseline.

The escalation variable changes the calculation for every actor in the chain.

What looks like seven separate pressures is one network under distributed stress an architecture being tested by conditions that none of the institutions governing it ever expected to face at the same time.

MIDDLE EAST BYPASS PROJECTS

The Gulf spent forty years building its escape route from Hormuz. Until February, it never bothered to use it.

Petroline runs twelve hundred kilometres from the Abqaiq processing complex to Yanbu on the Red Sea. It was conceived during the Iran–Iraq War, upgraded during the Tanker Wars of 1987, and then operated for most of its life at a fraction of its rating, because redundancy is dead capital and the strait kept obstinately staying open.

Aramco raised its ceiling to seven million barrels a day in March 2025, a decision that looked at the time like an accountant's rounding error. On 28 March 2026 the line hit that number for the first time. Insurance policies are tedious right up until the morning they are the only thing standing.

The other exit is ADCOP: three hundred and eighty kilometres from Habshan through the Hajar mountains to Fujairah, commissioned in 2012 after the nuclear scare of 2008–09 concentrated Emirati minds.

One and a half million barrels a day, one point eight if pushed. Two pipelines. That is the entire Arabian inventory of ways out.

Now the arithmetic, which is where the comfort ends. Roughly twenty million barrels a day moved through Hormuz before the war. Petroline at full throttle plus ADCOP at its ceiling comes to under nine, on a good day, and there have been no good days.

The bypass does not replace the strait. It rations the loss.

What it also does, rather more quietly, is sort the Gulf into two classes of state. The map of who owns a pipe is now the map of who is an exporter and who is a hostage.

Riyadh and Abu Dhabi have doors. Kuwait, Bahrain and Qatar have none and Qatar's problem is worse than geography, because liquefied natural gas cannot be put in a pipe to the Indian Ocean at all.

Sovereignty used to be a question of what you had under the ground. It is now a question of which way it can leave.

Iraq is the case study, and it is not a flattering one. Ninety per cent of Iraqi exports went through Hormuz; when the strait shut, national production fell from four point three million barrels a day to about one point four.

The Basra–Aqaba line that would have solved this was proposed in the 1980s, endorsed by successive governments, approved in principle by the cabinet in 2022, written into a budget, and built never blocked by cost, by Anbar's security, and by militias who read a pipeline to the Red Sea as a pipeline to normalisation.

The Mediterranean terminals they lead to Ceyhan, Baniyas, Tripoli serve a European market in structural decline.

HORMUZ BYPASS ROUTES

OPERATIONAL, UNDER CONSTRUCTION AND PROPOSED — JULY 2026



Only two purpose-built crude bypass routes are fully operational.

Liquefied natural gas cannot use these routes.

bpd = barrels per day.
Sources: Kpler, IEA, Reuters, Aramco, ADNOC — July 2026.

The buyers who are actually growing are in China, India, Japan and Korea, and they are reachable only via the Red Sea or the Gulf of Oman. Iraq's most advanced escape routes point the wrong way.

And none of this buys immunity, only a different kind of exposure. A pipeline is not a way of avoiding a chokepoint; it is a chokepoint you can drive to.

Abqaiq was struck in 2019. Houthi drones hit Saudi pumping stations the same year. Fujairah's loadings were disrupted by drones in March. You cannot mine a pipeline, but you can find the pumps, and the pumps are not moving.

Which brings us to the part Tehran appears to have understood too late. Every metre of pipe laid this year retires a metre of Iranian leverage permanently. ADNOC's second Fujairah line is around half-finished and due in 2027, which would roughly double Emirati bypass capacity; Goldman Sachs counts seven regional projects under construction or in planning and puts potential capacity above fourteen million barrels a day by the end of 2028.

Iran spent forty years accumulating a threat whose value could only ever be realised by spending it, and whose spending guarantees it is worth less next time. Washington's energy secretary called it a card you can play once. Iran's own parliamentary speaker has conceded the logic in public. The blockade is not a demonstration of Iranian power. It is the liquidation of it.

The pipes will get built. They will be finished in 2027, in 2028, for a war that began in February 2026 and they will be magnificent, and they will be exactly one crisis late.

This is the permanent condition of chokepoint politics: the alternative is never financeable until the day after it was needed, and by then the tender documents are the cheapest thing in the room. Every day the strait stays shut improves the business case for the pipeline. That is either the best argument for building it, or the most honest admission of why it never was.

CONCLUSION

Let us be honest about the scoreboard: nobody wins a closure. Not the closer, not the closed-upon, not the insurers, and certainly not the motorist. The bypasses are what responsible governments do with that knowledge the UAE's pipeline to Fujairah on the ocean side of Hormuz, the Saudi line west to Yanbu on the Red Sea: expensive, unglamorous, and worth every barrel the day the strait misbehaves.

But the nuance was never in the closure. It is in the threat of one.

States use the threat to renegotiate the status quo. By demonstrating that they can shut a key trade route, they inform the major powers that the 'rules-based order' is, like everything else, negotiable.

Concessions follow sanctions softened here, a territorial claim tolerated there as the great powers pay a stability tax to keep the lanes open. The strait need never actually close; it need only be believed.

Iran reminded every country with a narrow stretch of water that the narrows were always the asset that the gap between two landmasses is worth more than whatever flows through it, and that the only era in human history when the gates stood open and unmanned was the strange, brief exception, not the rule.

The tanker pays. The gate lifts. And meanwhile, on a million rooftops, the sun rises the only energy on earth that transits nobody's strait, asks nobody's permission and clears customs nowhere. The last cargo that arrives without a gatekeeper waiting at the mouth of the channel with his hand out.

FRANK

Geopolitician & Board Strategy Advisor

Author & Editor

frank@frank.blue