



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

**Congressman Jim Saxton
Ranking Republican Member**

PRESS RELEASE

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THREAT OF POTENTIAL PERSIAN GULF OIL SHOCK EXAMINED IN NEW STUDY

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WASHINGTON, D.C. – A temporary disruption of oil shipments from the Persian Gulf would be manageable, but even a small long-term disruption of such shipments would have a major impact on the price of oil, according to a new study released today by Congressman Jim Saxton, ranking Republican member of the Joint Economic Committee. The study, *The Strait of Hormuz and the Threat of an Oil Shock*, analyzes Persian Gulf oil shipments, scenarios of oil supply disruptions, potential market reactions and their effects on the price of oil, and the impact on the U.S. economy. The study concludes that the increased flexibility and resiliency of the U.S. economy has improved its ability to withstand a temporary oil supply disruption, although such a disruption could cause an economic recession.

“As the new study points out, the Persian Gulf accounts for 55 percent of the world’s oil reserves,” Saxton said. “The U.S. economy could overcome a short-term oil supply disruption originating in the Persian Gulf, but a longer term disruption would be much more problematic.

“Despite periodic threats by Iranian officials to cut-off Gulf oil shipments, the credibility of these threats is questionable. The Iranian economy would be devastated by such oil supply disruptions because of its own high and growing reliance on imported gasoline. A more serious threat is posed by terrorists who have already targeted oil facilities in the Persian Gulf.

“In any event, the U.S. has to be prepared to face the threat of a Persian Gulf oil disruption whether it comes from rogue nations or terrorists. Any move that would further destabilize the region or strengthen the position of terrorists, such as a hasty retreat of U.S. forces from the region, would only increase the risks to the economy posed by such oil shocks,” Saxton concluded.

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