
Situation Report:

The Bab al-Mandab Crisis: **Analysis of the** **Houthi Blockade** **and Its Global** **Economic Impact**



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The Houthi blockade of the Bab al-Mandab Strait is one of the most significant disruptions to global maritime trade since World War II. Despite international efforts to contain the crisis, Houthi attacks on commercial and military vessels have persisted through March 2025, transforming global shipping patterns and causing substantial economic repercussions. This report analyzes the situation, evaluates impacts across various stakeholders, and presents potential future scenarios.

● Chronology: Evolution of a Crisis

The Houthi blockade began in late 2023, ostensibly in response to Israeli military operations in Gaza, but with potential connections to the broader Yemen conflict. The crisis has unfolded through several key phases:

Initial Phase (November-December 2023)

Houthi forces target vessels with perceived connections to Israel, claiming solidarity with Palestinians. Attacks immediately disrupt shipping through the strategic waterway, many vessels avoid the route entirely.

Internationalisation (December 2023-April 2024)

In December 2023, the U.S. formed Operation Prosperity Guardian, a multinational naval coalition designed to protect shipping through the strait. By April 2024, the U.S. had invested approximately \$1 billion in defense systems specifically to counter Houthi threats in the region [2]. Despite this, attacks continue and expand beyond vessels with Israeli connections.

Intensification (Mid-2024-Present)

By August 2024, tanker traffic through the Bab al-Mandab strait had plummeted by 77% compared to October 2023[2]. The U.S. escalated its military response by deploying B-2 Spirit bombers to target Houthi weapon stockpiles[2]. On November 12, 2024, the Houthis launched a sophisticated attack on two U.S. destroyers (USS Spruance and USS Stockdale) with "at least eight one-way drones, five anti-ship ballistic missiles, and three anti-ship cruise missiles," all of which were successfully intercepted.

Recent Escalation (March 2025)

On March 15, 2025, the United States conducted significant military strikes against Houthi-controlled targets in Yemen. The operation targeted radars, air defense systems, missile platforms, and drone facilities[4].

These strikes were carried out by fighter jets from the aircraft carrier Harry S. Truman, positioned in the Red Sea[4]. This military action came in direct response to the Houthis' announcement days earlier that they would resume bans on all vessel passage through the Red Sea, Arabian Sea, Bab al-Mandab Strait, and Gulf of Aden with immediate effect[4].

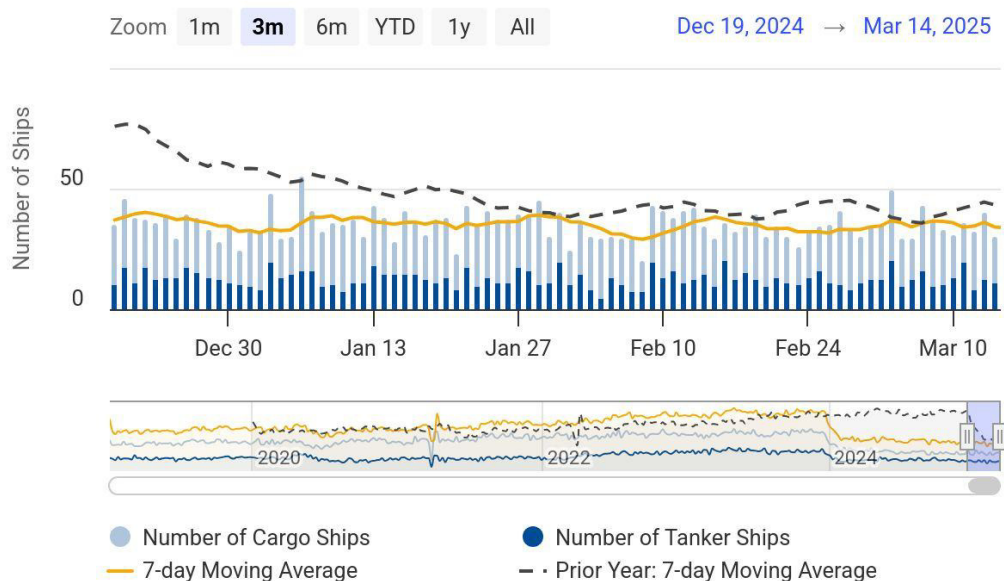
U.S. officials indicated that targeting of the Houthi arsenal may continue for several days and may increase in scope depending on the Houthi response[4]. Security officials reportedly favour a stronger campaign that would weaken Houthi territorial control[4]. Meanwhile, authorities in Washington and across the Middle East are anticipating retaliatory strikes from the Houthis[4].

Strategic Significance of the Bab al-Mandab Strait

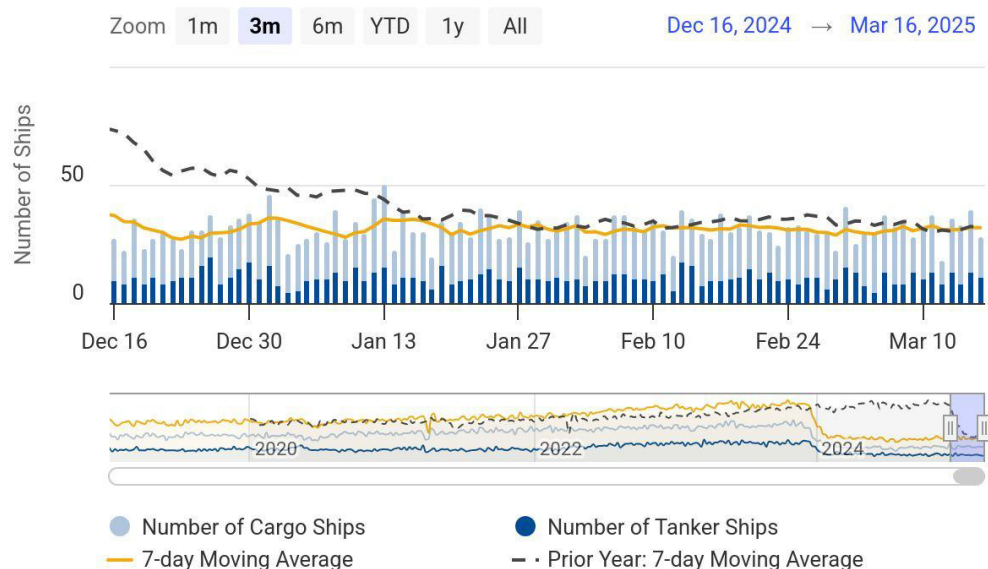
The Bab al-Mandab Strait, meaning "Gate of Tears" in Arabic, is only 18 miles wide at its narrowest point. It serves as a critical maritime chokepoint.

- The strait connects the Red Sea to the Gulf of Aden and the Indian Ocean
- Nearly 10% of the world's daily oil shipments pass through this corridor^[2]
- It provides the southern entrance to the Suez Canal, which handles approximately 12% of global trade
- It is the shortest maritime route between Europe and Asia

Suez Canal: Daily Transit Calls



Bab el-Mandeb Strait: Daily Transit Calls



Economic Impact Assessment

Egypt and the Suez Canal

The Egyptian economy has been severely impacted by the crisis:

- Suez Canal traffic remains "still halted" according to recent reports
- Pre-crisis, the Canal generated approximately \$9-10 billion in annual revenue, representing one of Egypt's primary sources of foreign currency
- The Suez Canal crisis cost Egypt around \$7 bln in revenues in 2024
- The loss of this revenue stream has created significant fiscal pressure on an already stressed Egyptian economy
- Employment in the maritime service sector has declined dramatically

European Trade and Economy

For Europe, the impact has been described as "more expensive but not crippling":

- **Extended shipping times:** Rerouting around Africa adds approximately 2 weeks to Asia-Europe voyages
- **Reduced shipping capacity:** The longer route effectively decreases the number of trips vessels can make annually
- **Increased costs:** Longer journeys mean higher fuel consumption, crew costs, and insurance premiums
- **Inflationary pressure:** Consumer goods and manufacturing inputs from Asia face price increases of 5-15%

European businesses have adapted to the situation through increased inventory holdings and longer planning horizons, but the economic drag continues to accumulate.

U.S. Interests

While the United States has experienced less direct economic impact due to its lower reliance on Red Sea shipping routes, the crisis has necessitated significant military expenditure:

- By April 2024, the U.S. had invested around \$1 billion in munitions to neutralize Houthi attacks^[2]
- Naval assets deployed to the region represent opportunity costs in terms of other global priorities
- The ongoing military operations incur substantial operational costs
- The March 15, 2025 strikes represent a further escalation in resource commitment, with the potential for an extended campaign^[4]

Global Shipping and Supply Chains

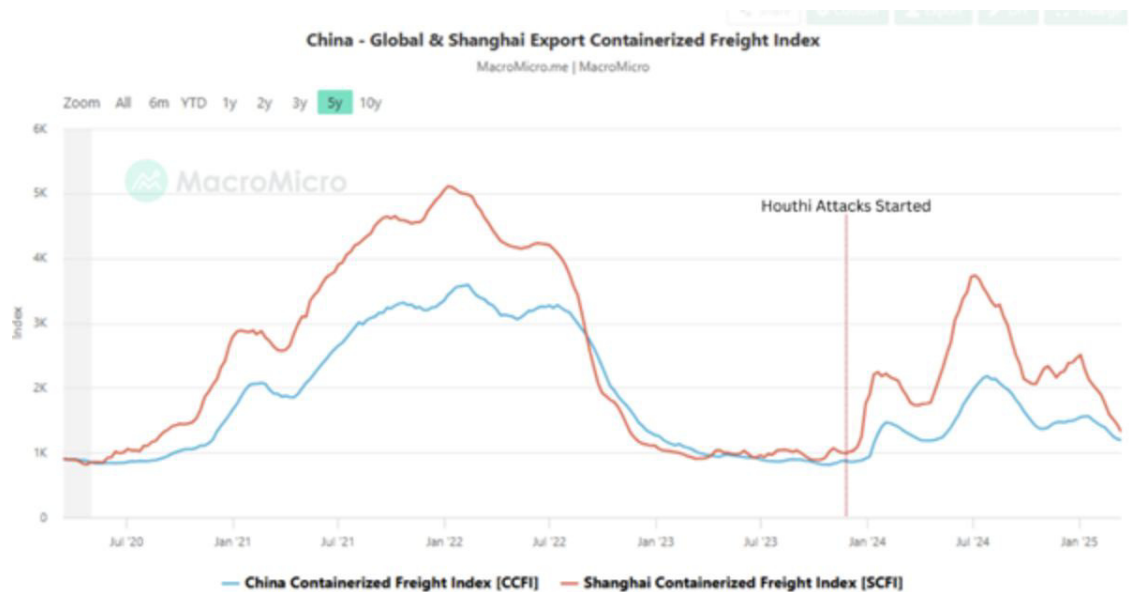
The disruption has fundamentally altered global shipping patterns:

- **Traffic decline:** Tanker traffic through Bab al-Mandab dropped by 77% in August 2024 compared to October 2023^[2]
- **Rerouting:** Most vessels now navigate around the Cape of Good Hope, increasing Asia-Europe voyage distances by approximately 4,000 nautical miles
- **Capacity reduction:** The longer route effectively reduces global shipping capacity by 15-20%

- **Container rates:** Shipping costs for standard 40-foot containers from Asia to Europe have increased by 30-40%
- **Insurance premiums:** Vessels attempting Red Sea passage face insurance surcharges of 10-15% of vessel value

Shipping companies have responded by:

- Increasing vessel speeds where possible
- Deploying additional vessels to maintain capacity
- Implementing Red Sea surcharges to offset increased costs
- Revising schedules to account for longer transit times



Geopolitical Dimensions

The New Cold War Framework

The Bab al-Mandab crisis can be understood within what analysts like Velina Tchakarova describe as "Cold War 2.0"—a deepening rift between the United States and the "DragonBear" alliance of China and Russia amid an increasingly bifurcated global system^[6]. Within this framework, conflicts like the Houthi blockade are not isolated events but manifestations of broader geopolitical realignment^[6].

The blockade represents a strategic contest between two emerging blocs:

- 1. The US-Led Coalition:** Attempting to establish a European-MENA-Gulf-India bloc that requires free passage of freight and energy through the region^[3]
- 2. The Russia-Iran-China Axis:** Working to challenge Western hegemony by creating friction points that divert resources and attention^{[3][6]}

The Houthis serve as a valuable proxy force in this contest, capable of generating outsized impacts with relatively limited resources, a classic asymmetric advantage.

External Support and Strategic Motivations

The sophistication of Houthi attacks suggests substantial external support:

- **Russian Involvement:** Russia has reportedly provided satellite targeting data to the Houthis, enabling precision attacks on Western vessels[2]. This intelligence was allegedly relayed through members of Iran's Islamic Revolutionary Guard Corps embedded with the Houthis in Yemen[2].
- **Arms Proliferation:** Viktor Bout, a Russian arms dealer recently released from a U.S. prison, reportedly attempted to negotiate a \$10 million weapons deal with the Houthis[2], suggesting a potential deepening of Russian-Houthi cooperation.

Strategic Confusion: Curiously, the Houthis have also attacked tankers transporting Russian oil, including those linked to Rosneft[2]. This apparent contradiction may indicate either operational confusion, limited coordination, or a strategic calculation to maintain plausible deniability.

Houthi Strategic Position

The Iran-backed Houthi movement has delivered a remarkably strong military performance since October 2023, using the crisis to enhance their position[5]. Their strategic approach appears to be:

- **First In, Last Out:** Houthis were the first to cross key thresholds (like attacking Israeli cities) and refusing to be deterred by Israeli or Anglo-American strikes[5].
- **Enhanced Capabilities:** They have strengthened their maritime supply line to Iran and become more technically proficient[5].
- **Elevated Status:** The crisis has made them more prominent members of the "Axis of Resistance"[5].
- **Expanded Partnerships:** They can now exploit new opportunities by cooperating with other Axis of Resistance players in Iraq and with Russia[5].
- **Strategic Platform:** Yemen could potentially serve as a platform for Iran to deploy advanced weapons against Israel and the West without drawing direct retaliation[5].

Multiple Strategic Objectives

The blockade serves multiple strategic purposes beyond the stated goal of solidarity with Gaza:

- **Resource Diversion:** Attacks force Western powers to allocate substantial military resources to maritime security that might otherwise be deployed elsewhere[2][3].
- **Conflict Leverage:** Bab al-Mandab potentially serves as leverage in the broader Yemen conflict, pushing Saudi Arabia's allies to pressure Riyadh[3].
- **Strategic Vulnerability Demonstration:** The fragility of critical maritime chokepoints to non-state actors has been highlighted.
- **Western Resolve Testing:** The Houthis are providing an opportunity for adversarial powers to assess Western military capabilities and political will[5].
- **Economic Pressure:** The crisis imposes economic costs on Western economies and their allies, particularly Egypt.
- **Domestic Legitimacy:** Portrayal as important regional actors standing against perceived Western and Israeli interests boosts the Houthis internal reputation.

Global System Bifurcation

The crisis contributes to the acceleration of global bifurcation between competing blocs[6]:

- **Infrastructure Competition:** Major infrastructure projects like the India-Middle East-Europe Economic Corridor (IMEC) are potentially threatened by Houthi activity[3].
- **Maritime Security Paradigms:** Different approaches to securing sea lanes are emerging between the US-led coalition and the Russia-China alignment.
- **Economic Integration Patterns:** Supply chains are reconfiguring along bloc lines, with security concerns increasingly trumping pure economic efficiency.

Environmental Impact

The rerouting of global shipping has created significant environmental consequences:

- Carbon emissions from global shipping have increased by an estimated 5-7% due to longer voyages.
- Fuel consumption per container has risen by approximately 20%.
- Marine ecosystems along the southern African coast face increased risks from higher shipping traffic.
- Oil spill risks have shifted geographically, potentially affecting marine protected areas.

Future Outlook

Short-term Scenarios (3-6 months)

1. Escalation Cycle (80% confidence):

In the wake of the March 15 strikes, a pattern of escalating attacks and counterattacks develops. The Houthis respond with increased maritime attacks, potentially targeting U.S. naval assets directly, leading to further American strikes against Houthi infrastructure and capabilities in Yemen. This cycle diverts additional U.S. military resources to the region while failing to achieve a decisive outcome.

2. Temporary Deterrence (35% confidence):

The March 15 strikes temporarily degrade Houthi attack capabilities, resulting in a meaningful but time-limited reduction in maritime incidents. This window allows for partial resumption of Red Sea shipping, but fundamental strategic calculations remain unchanged, leading to eventual resumption of attacks.

Tactical Resolution (20% confidence):

A limited agreement specifically addressing maritime security could emerge, potentially allowing some commercial traffic to resume under specific conditions or protections. This would likely involve indirect negotiations through Oman or other regional intermediaries.

Medium-term Scenarios (6-18 months)

1. Permanent Rerouting (65% confidence):

Global shipping permanently adjusts to Red Sea avoidance, with reconfigured supply chains and logistics networks. The Suez Canal becomes primarily regional rather than global in importance, forcing Egypt to seek alternative revenue sources.

2. Diplomatic Breakthrough (35% confidence):

Resolution of the underlying Yemen conflict through Saudi-Houthi agreement, potentially facilitated by Chinese or other third-party mediation. China has "recently shown an interest in acting as an arbiter in the region".

3. Arctic Alternative Acceleration (50% confidence):

Significant increase in development and utilization of the Northern Sea Route as climate change makes it more navigable and geopolitical factors make it more attractive. This represents a long-term structural shift in global shipping patterns.

Long-term Implications (18+ months)

1. Supply Chain Regionalisation (60% confidence):

Persistent maritime insecurity accelerates trends toward regional manufacturing and shortened supply chains, with companies prioritizing resilience over efficiency.

2. Strategic Chokepoint Security Regime (40% confidence):

Development of new international security frameworks specifically designed to protect critical maritime chokepoints through multilateral cooperation.

3. Egyptian Economic Restructuring (70% confidence):

Faced with permanently reduced Suez Canal revenues, Egypt implements major economic reforms and seeks alternative development paths with international assistance.

4. Deeper Global Bifurcation (75% confidence):

The crisis serves as a catalyst for the separation of US-led and China-Russia-led economic and security spheres, with nations increasingly forced to choose alignment.

Conclusion

The Houthi blockade of the Bab al-Mandab Strait represents one of the most consequential disruptions to global maritime trade in recent decades. Its persistence despite international military efforts, including the significant US strikes of March 15, 2025, highlights the asymmetric advantage that non-state actors can wield against global commerce at geographic chokepoints.

The crisis transcends its immediate economic impact and serves as a manifestation of the broader geopolitical competition between emerging global blocs. It demonstrates how relatively small actors can leverage strategic geography to project power disproportionate to their conventional military capabilities.

While the global economic system has demonstrated resilience through adaptation, the costs have been substantial and unevenly distributed. Egypt faces particular challenges from the effective closure of the Suez Canal, while shipping companies and their customers continue to absorb higher costs and longer transit times.

The crisis appears unlikely to resolve in the immediate future and may permanently alter global shipping patterns and accelerate the bifurcation of the international system. Stakeholders should prepare for extended disruption while supporting diplomatic efforts to address the underlying conflicts that enable and motivate the Houthi campaign.