



### [The Impact of Long-Term War on Gulf Countries and Its Wide-Reaching Effects](#)

The Gulf region in the Middle East sits at the center of the global energy system, supplying a large share of the world's oil and natural gas. Countries such as Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and others have built their modern economies around the production and export of energy resources. Due to this structure, the prospect of a prolonged war involving Iran presents serious economic risks, not only for the region, but also for the global economy that depends on its energy supply. Hydrocarbon exports remain the backbone of most Gulf economies, with oil and gas revenues accounting for a large portion of government income across the region. In Saudi Arabia, for example, petroleum revenues often make up roughly two-thirds of government revenue during periods of strong oil prices. In Kuwait and Qatar, the share is even higher, with hydrocarbons responsible for more than 70 percent of export earnings. These revenues fund government spending in key areas such as infrastructure, social programs, and large-scale economic development initiatives, and thus, any disruption to energy exports threatens the financial stability of these states.

A long and drawn-out war in the region would put that revenue stream at risk in several notable ways. One immediate concern involves physical security for energy infrastructure. The region contains some of the most critical oil facilities in the world, including processing plants, export terminals, pipelines, and offshore production platforms, so even limited attacks on these sites could reduce production capacity or interrupt exports. Previous incidents have shown how vulnerable these systems can be. A single attack on a major processing facility in Saudi Arabia back in 2019 temporarily knocked out about five percent of the world's oil supply.

Shipping routes also present a major point of vulnerability. Roughly one-fifth of global oil consumption passes through the Strait of Hormuz, a narrow waterway between Iran and the Arabian Peninsula. Tankers carrying crude oil and liquefied natural gas move through this passage every day on their way to markets in Asia, Europe, and North America. If hostilities expand or if Iran attempts to disrupt shipping, even temporarily, the result could be immediate pressure on global energy prices. For Gulf countries themselves, disruptions to exports would translate into sudden massive revenue losses. Many governments in the region maintain financial reserves and sovereign wealth funds designed to buffer economic shocks. However, these reserves are not limitless, especially during prolonged crises. Sustained declines in oil

exports would force governments to draw down savings, cut spending, or increase borrowing, carrying significant economic and political consequences.

Investment is another area that would be likely to suffer during an extended conflict. Over the past decade, Gulf states have tried to diversify their economies beyond oil. Major projects in tourism, technology, renewable energy, and manufacturing have been launched as part of long-term development strategies. Yet these initiatives rely heavily on foreign investment and international partnerships, so prolonged war in the region would introduce a high level of uncertainty that could cause investors to delay or cancel projects. Ultimately, even the perception of instability can lead companies to reconsider their commitments.

Insurance costs for shipping and commercial activity also rise sharply during wartime conditions. Tanker operators and cargo companies typically pay higher premiums when operating in conflict zones. If the Gulf were widely viewed as unsafe, transportation costs for energy exports and other goods would increase. These added expenses would eventually pass through supply chains, affecting consumers and industries around the world.

Infrastructure damage presents another serious risk. Military operations near ports, pipelines, or industrial zones could disrupt transportation networks and energy processing facilities. Repairing such infrastructure can take months or even years depending on the severity of the damage, and during that period, production and export capacity would remain constrained. For countries whose public budgets rely heavily on energy income, even short disruptions can create significant fiscal pressure.

Additionally troubling is the fact that the consequences would not remain confined to the Gulf region itself. Global energy markets respond quickly to supply shocks. When oil production falls or when shipping routes are threatened, prices tend to rise as traders anticipate shortages. Higher oil prices affect a wide range of industries, from transportation and manufacturing to agriculture and construction. One likely outcome of sustained energy price increases is higher inflation. As businesses face rising operating costs, they often pass some of those costs on to consumers. Higher transportation costs can make food and manufactured goods more expensive. Airlines, shipping companies, and logistics firms all rely heavily on fuel, meaning that energy price increases can influence the cost of global trade.

Global production could also slow if energy supplies become unstable. Many industries rely on predictable access to fuel and raw materials in order to maintain steady production schedules. Disruptions to supply chains can force factories to reduce output or delay shipments. This kind of slowdown would affect both developed and emerging economies, particularly those that depend on imported energy. Financial markets would likely react as well. Periods of geopolitical instability often spur investors to move funds away from riskier assets and toward safer ones. This shift can reduce investment flows into developing markets, including those in the Middle East. Gulf states that are attempting to expand sectors such as finance, technology, and logistics could see progress stall if investors become cautious about the state of regional stability.

There is also a broader strategic dimension to consider. Gulf countries have spent years attempting to position themselves as stable economic hubs that connect global trade routes between Asia, Europe, and Africa. Cities such as Dubai, Doha, and Riyadh have invested heavily in infrastructure, financial services, and international business networks. A prolonged regional conflict could undermine that reputation for stability, making it more difficult to attract global business in the future.

In conjunction, these risks illustrate how deeply connected Gulf economies are to the global energy system. A protracted war involving Iran would not simply be a military crisis. It would also represent a major economic challenge for the region and for the international economy that depends on its resources. While energy producers may benefit in the short term from higher prices, the broader consequences of sustained instability are likely to outweigh those initial gains. Lost exports, reduced investment, damaged infrastructure, and rising costs could slow economic growth across the Gulf. At the same time, volatile energy markets would create challenges for governments and businesses worldwide. For this reason, policymakers and economists continue to stress the importance of stability in the Gulf. The region's energy resources play a central role in the functioning of the global economy. Any conflict that threatens that system carries consequences that extend far beyond just the region alone.