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POLICY PAPER

THE ECONOMIC AND HUMAN COST OF THE WAR ON IRAN

The Arab Countries Pay More

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“Every gun that is made, every warship launched, every rocket fired signifies in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed.”

President Dwight Eisenhower, April 16, 1953 *

This policy brief examines the economic and human impacts of the first six months of the Iran war—from February to the end of August 2026—on Iran’s Arab neighbors and compares these impacts with those on the three countries directly involved—Iran, Israel and the United States. It reaches the surprising conclusion that Iran’s Arab neighbors have borne a higher cost than the three belligerents combined. For the purposes of the analysis presented here the Arab neighbors of Iran are divided into two groups: the three fragile and conflict-affected countries (FCS) with strong Iranian-allied militias—Iraq, Lebanon and Yemen—and the six Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). Each group separately has borne higher economic losses from the war than the three belligerents combined.

This analysis has two policy implications for the GCC countries. First, on the geopolitical front, the GCC countries, which host American military bases and provide support to US forces, could negotiate agreements with their American partners to ensure that they are consulted and given a voice in decision-making processes affecting war and peace in their region. Second, they need to continue investing in oil pipelines and other transport facilities to

* See [Eisenhower Library files](#).

avoid dependence on a single geographic chokepoint—whether the Strait of Hormuz, Bab El Mandeb, or the Suez Canal—for their exports and imports.

The three FCS countries have borne heavy relative costs, at a time when their economies and societies are facing enormous challenges. This is especially true of Lebanon, where the cost of the war could exceed twice the country's GDP. It is time for the international community, perhaps led by the Arab League, to help these countries address the economic, social and political drivers of fragility. A stable and prosperous Lebanon, Iraq and Yemen would clearly benefit their populations, as well as the region and the rest of the world.

The policy brief is divided into six sections. Section 1 presents the analytical framework used to assess the cost of war. Sections 2, 3 and 4 present the costs incurred by the three belligerents, by the three FCS countries and by the GCC, respectively. Section 5 compares the results across countries and presents evidence that the Arab countries' losses may be even greater than those of Iran. Section 6 concludes with the policy implications arising from the analysis.

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1. THE ANALYTICAL FRAMEWORK

War destroys lives, physical assets and economic opportunities. The challenge for economists is to convert these diverse effects into a single monetary estimate of the total cost of war. The approach used in this policy brief is based on the work of [Stiglitz and Bilmes \(2012\)](#). They argue that the cost of war goes beyond its effects on military budgets and damaged infrastructure. Their framework also incorporates the macroeconomic consequences of war, the cost of lives lost, and the cost of medical treatment and disability payments for veterans.

This policy brief presents a country-by-country estimate of the cost of the war, including physical damage to military and civilian equipment and infrastructure, increased military spending, foregone income and production, loss of life and injuries.

Estimates of physical damage and additional military expenditures are relatively straightforward. They are usually published by governments or by international organizations that conduct “Rapid Damage and Needs Assessments.” However, such data are not available for all 12 countries studied here. Whenever available, these data are presented in the country analyses, but are not used in the cross-country comparisons, which rely only on data available for all 12 countries and hence focus solely on the economic and human costs of the war.

The economic cost of the war is measured in terms of lost output or GDP. Wars “generate large and persistent output losses in economies where the fighting occurs and nonnegligible spillovers to other countries.”¹ The level of output after the war can be directly measured. To estimate the cost of the war, it is necessary to compare actual output with a hypothetical level of output that would have been achieved had the war not occurred. In other words, a counterfactual must be constructed. In its June 2026 [Global Economic Prospects](#), the World Bank revised its previous pre-war estimates of countries’ growth rates to reflect the impact of the war. In the remainder of this brief the difference between the pre-war and post-war projections is used as the estimate of the output loss due to the war.

Putting a dollar value on human life is difficult and may even seem insensitive. However, it is often necessary for economic analysis and for evaluating the efficiency of policies and projects designed to save lives—e.g. in the transport sector. The economic benefits of preventing fatalities are expressed in terms of the “Value of a Statistical Life” (VSL). The OECD defines VSL as the “value a given population places on avoiding the death of an unidentified individual.”² The VSL varies across income groups. The OECD finds estimates ranging from \$1 million in low-income countries to \$8.5 million in richer countries.

Assigning different values to human life across countries according to income level may make economic sense, but it raises serious ethical concerns. For this reason, the approach taken in this policy brief is to use the same VSL for all people across the 12 countries and to base that VSL on the calculation made by [Stiglitz and Bilmes](#) for the United States. They calculated a VSL of \$7.2 million for the USA in 2007. Adjusting this figure for cumulative inflation of 61% between 2007 and 2026 yields a VSL of \$11.6 million, rounded to \$12 million. Another alternative would have been to use the VSL currently used by the [United States Department of Transportation](#), which is \$14.2 million. However, maintaining the link to the Stiglitz and Bilmes analysis was considered preferable. In any case, since the focus here is on cross-country comparisons and the same VSL is used across all 12 countries, using a VSL of \$12 million rather than \$14 million has very little effect on the conclusion.

1. See IMF (2026).

2. See OECD (2025).

The United States Department of Transportation calculates the [cost of injury](#) as a fraction of the VSL, ranging from 0.003 for minor injuries to 0.593 for critical injuries. Since injury information published by the various countries does not distinguish between different degrees of severity, this brief uses the midpoint of the US Department of Transportation's guidance. This midpoint is defined as a serious injury and is valued at 0.105 of the VSL. With a VSL of \$12 million, this gives a cost of injury of about \$1.3 million. As with the cost of a life lost, the cost of injury used here is the same across all countries.

2. THE THREE BELLIGERENTS: IRAN, ISRAEL, AND THE UNITED STATES

Israel and the United States started the war against Iran expecting the Iranian regime to collapse and the conflict to last only a few weeks. The war, however, unfolded differently and is now in its eighth month. Consequently, the costs borne by all three countries have been considerably higher than initially expected.

Iran. Of the three countries directly involved in the war, Iran has suffered the greatest losses. Damage to its military facilities and civilian infrastructure is [estimated at \\$91.1 billion](#). This includes damage to nuclear facilities, missile production facilities, missile launchers, military aircraft, air defense systems, and naval vessels. It also includes damage to civilian infrastructure, including oil and gas facilities and the steel sector.

Before the war the [IMF projected Iran's GDP growth at 1.1%](#). The projection was subsequently revised to [-5.4%](#), implying a GDP loss of 6.5% or \$23.6 billion. In addition to the decline in growth, Iran is facing a rapid increase in prices, with annual inflation reaching nearly 70%, with major consequences for household purchasing power. The loss of GDP and the rise in inflation are due to blockade-related trade disruptions, lower hydrocarbon exports, shortages of intermediate goods, factory closures and disruptions, and interruptions to electricity and fuel supplies.

The [United Nations' OCHA estimates](#) that more than 3,400 Iranians lost their lives because of the war and more than 33,000 were injured. Using the monetary values described earlier (\$12 million for a life lost and \$1.3 million for an injury) yields an estimated \$41 billion for lives lost and \$43 billion for injuries.

The overall cost of the war so far for Iran includes the destruction of military and civilian facilities and infrastructure (\$91.1 billion), lost economic output (\$23.6 billion), loss of life (\$41 billion), and injuries (\$43 billion). Thus, the total cost for Iran so far is about \$199 billion or some 55% of its GDP.

Israel. The cost of the war for Israel has so far been much lower than for Iran. The direct cost of military operations is around [\\$7.3 billion](#). This includes expenditures on additional military equipment and the replacement of used ammunition, as well as the cost of extending the mobilization of reservists beyond initial plans. Direct damage to households and businesses from missile attacks is estimated by the Ministry of Finance at [\\$4.3 billion](#).

The war had a significant impact on Israel's economic output. [The International Monetary Fund \(IMF\) lowered its growth projections](#) for the Israeli economy for 2026 from 4.8% to 3.5%, equivalent to a GDP loss of about \$7.9 billion. According to the [Bank of Israel](#), lower GDP growth is due to labor shortages related to the mobilization of reservists, school and workplace closures, disruptions to aviation and tourism, delays to investment and

construction, and higher energy and transport costs.

Casualty data are obtained from the [Ministry of Foreign Affairs](#) and the [Ministry of Health](#). According to these sources, 47 Israeli deaths and 7,834 injuries are directly attributed to the Iran war. Using the same parameters applied elsewhere (\$12 million per death and \$1.3 million per injury), the total loss of life is monetized at \$0.6 billion, while injuries are monetized at \$10.2 billion.

The overall cost of the war for Israel includes the increased military expenditure of \$7.3 billion, physical damage of \$4.3 billion, lost economic output of \$7.9 billion, the monetized cost of loss of life of \$0.6 billion and injury costs of \$10.2 billion. This implies a total cost of about \$30 billion, or some 5% of GDP.

The United States. The cost of the war for the United States appears to have consisted primarily of higher military spending. The human costs have been significant but remain limited. Surprisingly, the overall economic cost through the end of August 2026 has been close to zero, despite a sharp increase in gasoline prices that significantly affected consumers.

The military cost used here—which includes deployment and redeployment, munitions, higher operational tempo, equipment losses, and damage to US bases in the Middle East—is \$40 billion. This is the estimate made in June 2026 by [Cancian and Park](#) at the Center for Strategic and International Studies. A month earlier, [McCusker and Sims](#) of the American Enterprise Institute calculated the military cost for the United States at \$26.5-36.0 billion. Both estimates are much lower than the [\\$80 billion supplemental request](#) made by the administration to Congress. The reason for this discrepancy is that the administration's request included expenditures that may be necessary but are not directly linked to the war in Iran.

Information from the [United States Central Command](#) indicates that 17 service members have lost their lives and 75 have been injured. Using \$12 million as the VSL and \$1.3 million as the average cost of an injury, the dollar figure for loss of life is \$204 million and that for injuries is \$98 million.

The war does not seem to have had much impact on the US economic output. [The World Bank's growth projections](#) for the US GDP in June of 2026 were unchanged from those made in January. Other changes affecting the US economy, especially increasing investment in Artificial Intelligence (AI), could have offset the negative impact of the war. But those changes were already known in January. If the war had significantly affected the American economy, one would have expected some change in the projection.

[Kilan et al. \(2026\)](#) provide an explanation for this result, using an econometric model developed at the Federal Reserve Bank of Dallas. They argue that the US GDP has become less vulnerable to disruptions in global oil supplies because the country has reduced its dependence on imported oil and has shifted from being a major net oil importer to a net oil exporter. Their model shows that the response of the US GDP growth to disruptions in oil markets today is only one-twentieth of what it would have been in 1980.

The fact that the US GDP growth remained steady despite the war does not mean that the war had no economic and social effects. The sharp increase in gasoline prices hit American consumers and contributed to higher economy-wide inflation. Before the war, [the United States Energy Information Administration \(EIA\)](#) projected an average gasoline price of \$2.90 per gallon. Its August outlook projected \$3.78 per gallon. Gasoline consumption in the United States, according to EIA, is around 370 million gallons per day. This represents an additional cost to consumers of about \$326 million per day, or nearly \$60 billion for a six-month period.

The total cost of the war for the United States used in the cross-country comparison includes only military and human costs, since output is virtually unchanged and the increase in gasoline prices is a transfer from consumers to producers within the US. The military expenditures amount to \$40 billion and the human loss amounts to \$0.3 billion, for a total of \$40.3 billion or 0.13% of the country's GDP. It is a surprisingly small cost. Nevertheless, it has important socio-economic and political implications because of the substantial burden imposed on working and middle-class households by higher gasoline prices.

3. THREE FCS WITH IRANIAN PROXIES: IRAQ, LEBANON AND YEMEN

Iraq, Lebanon and Yemen were already on the [World Bank's FCS list](#) before the war started. Since Iran-related Shia militias are active in all three countries—Popular Mobilization Force (PMF) in Iraq, Hizballah in Lebanon, and the Houthis in Yemen—and are in some respects at least as powerful as the legitimate governments, the three countries were dragged into the conflict. In 2024, Yemen was already ranked the sixth most fragile country in the world by the [Fund for Peace](#), while Lebanon and Iraq were ranked as 23rd and 31st, respectively. Their situation worsened significantly as a result of the war.

Iraq. The Iraqi economy is highly dependent on petroleum exports. The closure of the Strait of Hormuz therefore had a major impact on economic activity. [The World Bank](#) lowered its projection for Iraq's 2026 growth by 15.4 percentage points as a result of the war, which implies a loss of \$39.1 billion for the Iraqi economy. This mainly reflects a [decline in oil production](#) from about 4.3 million barrels a day before the war to only 1.3 million barrels. The oil export collapse created a budget crisis because oil revenue represents around 90% of Iraq's government revenue. This led to delayed public investment and the accumulation of government arrears to the private sector. Thus, the problems in the oil sector had [important repercussions](#) across the rest of the economy.

Because many factions within the PMF maintain strong military ties with Iran, they quickly became entangled in the wider regional conflict. The United States and Israel launched airstrikes against the PMF in retaliation for rocket and drone attacks on US military bases and Kurdish forces. In July, Saudi Arabia joined US attacks on PMF forces in response to PMF drone strikes against Saudi energy infrastructure. This led to confirmed physical damage, including damage to PMF bases, weapons and ammunition depots, military vehicles and equipment, as well as civilian homes and property. However, no monetary calculation of these damages is yet available. Hence, they are not included in the loss estimate presented here.

The military conflict led to loss of life and injuries among Iraqis. At least [117 Iraqis were killed](#) through April, and the [PMF announced](#) that an additional 20 of its members were killed during the US-Saudi airstrikes in July, bringing total deaths to 137, which can be monetized at \$1.6 billion. The number of injuries is at least 302, with [270 PMF fighters wounded between February and April](#) and another [32 wounded in July](#). Thus, the monetary cost of injuries can be estimated at \$0.4 billion.

On this basis, the cost of the first six months of war for Iraq is at least \$41 billion, or about 16% of the country's GDP. This figure is the sum of \$39.1 billion in lost GDP, \$1.6 billion for loss of life and \$0.4 billion for injuries.

Lebanon. The greatest cost for Lebanon has been human. According to the [Lebanese Ministry of Health](#), 4,362 people were killed and 12,378 were injured between March and September 2026. Using the same monetization parameters as for the other countries, this implies a loss of life valued at \$52 billion and injuries valued at \$16 billion. The calculation here underestimates the human cost recently imposed on Lebanon by the Middle East conflict for two reasons. First, it does not take into account the cost of displacement. According to [UNHCR](#), about one million people were displaced at the peak of the conflict. Second, it only includes deaths and injuries since February 2026. Lebanon has been suffering since October 2023. Total war-related deaths since 2023 amount to 8,929 people and total injuries to 30,614 people.

Before the outbreak of the war with Iran [the World Bank projected an improvement](#) in Lebanon's economic situation and a GDP growth rate of 4% for 2026. This changed after the start of the Iran war. [The World Bank now projects](#) that Lebanon's GDP will shrink in 2026 by 6.4%. This 10.4 percentage-point reversal in projected GDP growth implies an output loss of around \$3.5 billion.

Prior to February 2026, the World Bank had estimated that physical damage to Lebanon related to the Gaza war amounted to [\\$6.8 billion](#). The [Lebanese government](#) now estimates that additional damage since February 2026 amounts to \$3-4 billion. Since this brief is only concerned with the cost of the Iran war, the midpoint of the post-February 2026 estimate (\$3.5 billion) is used.

The total cost of the Iran war for Lebanon is equal to the monetized loss of life of \$52 billion, injuries of \$16 billion, lost economic output of \$3.5 billion, and material destruction of \$3.5 billion. This gives a total cost of \$75 billion or 220% of GDP.

Yemen. Before the start of the Iran war in February 2026, Yemen had already endured more than a decade of civil strife. The country is divided between the Houthis—supported by Iran—who control the capital Sanaa and large swaths of the country mostly in the north, and the internationally recognized government—supported by Saudi Arabia. The [Houthis formally entered the war](#) in support of Iran, and thereby drew the rest of the country further into the conflict in March 2026.

It is difficult to disentangle the economic and social effects of the current war from those of the previous decade of civil strife. According to data from [the World Bank](#) and the [United Nations](#), Yemen's real per capita GDP has fallen by 60% since 2015, 80% of the population live in poverty and 18 million people—more than 40% of the population—suffer from food insecurity. The current war adds further hardship to an already dire situation.

After the start of the war, the World Bank lowered its growth projections for Yemen by 0.5 percentage points, which implies a GDP loss of \$0.11 billion. Documented [casualties](#) comprise 30 dead and 15 injured, equivalent to a cost of \$0.36 billion for lives lost and \$0.2 billion for injuries. There are no available data on infrastructure destruction or additional military spending. Thus, available data indicate losses for Yemen of \$0.67 billion, or 3% of GDP. Given data constraints, this figure should be interpreted as an absolute minimum.

4. THE GCC COUNTRIES: BAHRAIN, KUWAIT, OMAN, QATAR, SAUDI ARABIA, AND UNITED ARAB EMIRATES (UAE)

The GCC countries share two characteristics that made them particularly vulnerable to instability resulting from a war in Iran. First, they are allies of the United States and most host American military bases, making them potential targets for Iranian retaliation in the event of a war. Second, their economies are highly dependent on trade. Oil exports are their lifeline, while they are also highly import-dependent, particularly for food. A large majority of their exports and imports pass through the Strait of Hormuz. Thus, they are very vulnerable to its closure. This could explain why most GCC countries appear to have lobbied against the war. It certainly explains why, once the war began, they started bearing a very high cost.

Bahrain. Bahrain hosts the US's Fifth Fleet and is a signatory of the Abraham Accords. This made it a prime target for Iran's retaliatory attacks against America's allies. By the end of June, it was estimated that [Iran had launched about 700 missile and drone attacks](#) against Bahrain. Reported physical damage includes the country's oil refinery, a desalination plant, residential areas and parts of its aluminum and industrial sectors. No official estimate of the dollar value of this damage is yet available. On the [human side](#), three people were killed and 42 injured during those attacks.

Bahrain was already facing a difficult economic situation before the start of the war. According to the IMF, its fiscal position was deteriorating with the overall fiscal deficit rising to 11% of GDP and gross government debt reaching 134% of GDP. Foreign exchange reserves were low at just over two months of non-hydrocarbon imports. As a result, [S&P](#) lowered Bahrain's rating to B.

The Iran war made the [situation](#) even more challenging. The closure of the Strait of Hormuz affected hydrocarbon exports and aluminum shipments. In the first quarter of 2026 the value of Bahrain's trade dropped by 14.5%. Bahrain proved highly vulnerable to regional instability and maritime insecurity despite its success in diversifying its economy away from hydrocarbons—non-oil activities now account for 85% of GDP. Bahrain's large aluminum smelter was forced to shut down about 20% of its capacity because of the closure of the Strait. The tourism sector—which directly and indirectly accounts for 13% of GDP—was also severely affected by conflict-related travel disruptions.

As a result, the World Bank reduced its growth estimate for Bahrain by 1.8 percentage points, which implies an output loss of \$0.8 billion. The loss of life adds another \$0.036 billion, and the injuries add another \$0.055 billion. Thus, so far, the best estimate for the cost of war to Bahrain—excluding physical damage, which has yet to be estimated—is \$0.9 billion, or about 2% of GDP.

Kuwait. Since the Iraqi invasion of Kuwait in 1991 and the country's subsequent liberation by a coalition led by the United States, Kuwait has hosted one of the largest US military presences in the Middle East—13,000 troops. Kuwait is also one of five US Army Prepositioned Stock sites worldwide. Hence, it is not surprising that [Kuwait has faced a barrage of Iranian attacks](#).

Iran has targeted vital infrastructure across the country. Its aim has been to disrupt US military logistics hubs and damage domestic Kuwaiti systems. It has repeatedly struck Kuwait's

power grid and desalination plants, the country's main refinery, and its main international airport. While the damage to those facilities is still being costed, its effect on economic activity is being widely felt.

Kuwait relies almost exclusively on exports through the Strait of Hormuz. Its economy has therefore been particularly hard hit by the war and the Strait's closure. GDP fell during the first quarter of 2026—which included only one month of war—by 4.6% year on year. The drop was driven by lower oil production, shipping disruption, and weaker non-oil activities. The [World Bank](#) lowered its growth projection for Kuwait by nine percentage points, implying an output loss of \$14.9 billion. Kuwait also suffered a significant [human toll](#), including 10 deaths and 115 injuries. The loss of life is monetized at \$0.12 billion and injuries at \$0.15 billion.

Thus, the initial estimate of the total cost of the war for Kuwait, excluding physical damage and increased defense spending, amounts to about \$14.4 billion, or 9.2% of the country's GDP.

Oman. The war has [strained Oman's role](#) as a neutral mediator. Despite its efforts to remain neutral Oman has been a victim of maritime disruptions, direct attacks on its infrastructure, and even [threats from its American ally](#). Drone and missile strikes targeted Omani port cities and industrial zones, with many attacks directed at facilities used by the US military. Physical damage included fuel tanks and port facilities at [Salalah](#) and [Duqm](#). No official valuation of these losses is available. Oman also had to spend more on defense to protect its territory from drones and missiles. But again, no official estimate is available. There are reports of three deaths and 16 injuries as a result of these attacks, which are monetized at about \$57 million.

On the economic front [Oman has been less affected by the war](#) than other GCC countries. Nearly all of Oman's oil production and exports are located east of the Strait of Hormuz with direct access to the Indian Ocean. Thus, Oman also benefitted from higher prices. In March 2026, futures contracts for Omani crude traded as high as \$173 per barrel with a premium of \$50 per barrel over Brent.

Nevertheless, according to the [IMF](#), the regional and global slowdowns—weighing on tourism, non-oil exports, and investment flows—have adversely affected Oman's growth prospects as well as its fiscal and external balances. That is why the [World Bank's June 2026 growth](#) forecast for Oman included a downward revision of 1.2 percentage points from its pre-war projection, implying an output loss of \$1.3 billion.

The final estimate of the cost of the war for Oman is driven by the World Bank's growth revision and by the loss of life and injuries, for a total of about \$1.4 billion. No estimate of material damage or additional defense spending is available.

Qatar. Qatar [tried to remain neutral](#) and lobbied against escalation. In spite of this—because it is home to the largest US military installation in the region at Al-Udeid and the world's foremost liquefied natural gas (LNG) export complex at Ras Laffan—it faced Iranian strikes designed to be both symbolic and structural. The damage caused by those strikes included two LNG production trains; critical cooling equipment; a gas-to-liquids facility, associated condensate, LPG and helium capacity; and supporting equipment at the Ras Laffan complex. Overall, about [17% of Qatar's LNG capacity was destroyed](#), with a cost of some \$4.4 billion. One Qatari national was killed after sustaining shrapnel injuries on board a vessel, and 20 were injured. Thus, the total human cost for Qatar is estimated at \$42 million.

The economic costs of the war for Qatar include interruptions to LNG and helium exports, aviation and tourism disruption, weaker construction and investment, and higher shipping and insurance costs. The LNG industry is Qatar's economic lifeblood, and it has been severely disrupted by the war. Unlike other GCC countries, Qatar has no overland pipeline to bypass the Strait of Hormuz. Thus, between January and August 2026 Qatar was only able to export 18 LNG cargoes, down from 509 during the same period of 2025. Qatar Energy was forced to declare force majeure on its global supply contracts. This implies a loss of about \$2 billion per week. As a result, the [World Bank](#) reduced its projection for Qatar's growth by 11 percentage points, implying a GDP loss of \$23.8 billion. In addition to the output loss, Qatari consumer prices increased sharply because of the war. Food imports through the Strait of Hormuz were blocked and essential staples had to be airlifted into Qatar, causing food prices to rise by 40-120%.

Thus, the total cost of the war for Qatar so far amounts to \$28.2 billion, or 13% of GDP. This breaks down into a GDP loss of \$23.8 billion; damaged infrastructure of \$4.4 billion; and human losses of \$0.042 billion. No official estimate of the military cost is available.

Saudi Arabia. According to some observers, Saudi Arabia's position on the war is [ambiguous](#). The Kingdom's official public position is to call for de-escalation and an end to hostilities. However, it has been reported that in private Saudi officials have been encouraging the United States to pursue the war against Iran. In any case the rivalry between Iran and Saudi Arabia has been well documented, and Saudi Arabia militarily supports the internationally recognized government in Yemen against the Iranian-backed Houthis.

This explains why Saudi Arabia has been subject to attacks by Iran and its Houthi proxies since the beginning of the war. The Royal Saudi Air Force has retaliated against Iran and its proxies in Iraq and Yemen. As a result of direct military conflict, the Kingdom has suffered some physical damage, which has yet to be costed. Facilities affected by the attacks include the Ras Tanura Refinery and the Prince Sultan Air Base, as well as some civilian industrial and residential facilities. [The human cost](#) includes three deaths and 22 injuries. This implies a monetized value of life loss of \$36 million and injury costs of \$28.6 million, for a total monetary equivalent of about \$65 million.

Saudi Arabia has faced hundreds of drone and missile attacks. It responded using Patriot missile systems, fighter aircraft and air-to-air missiles, increased radar and surveillance operations, and the dispersal and reinforcement of military units. All of this comes at considerable cost. [The Saudi Ministry of Finance's data](#) show that first quarter military expenditures in 2026 were about 25% higher than in 2025. Applying this rate to the entire 2025 defense budget of \$83 billion yields an estimate of about \$20 billion of additional military spending in 2026.

The closure of the Strait of Hormuz created significant [disruptions in the Saudi economy](#). Export volumes of crude oil and of petroleum products fell by more than 30% between February and March 2026. But the decline in volume was more than offset by higher prices. The value of oil exports actually increased by 36% during the same period. Non-oil exports fell by 27% led by sharp declines in petrochemical and metal exports. It also became harder to import and imports fell sharply. All of this contributed to zero growth in the non-oil sectors. Hence, the [World Bank](#) lowered its growth projections for Saudi Arabia by 1.2 percentage points, implying an output loss of about \$15 billion.

The total cost of the war so far for Saudi Arabia—excluding physical damage which has yet to be estimated—is the sum of the human cost, the economic cost and the additional military expenditures. This yields a figure of \$35 billion or 2.7% of GDP.

UAE. Iran has repeatedly attacked the UAE, accusing it of providing support to US military operations. Thousands of missiles and drones were fired onto Emirati soil. They targeted aviation hubs in Dubai and Abu Dhabi, energy and industrial facilities, data centers and residential areas. The UAE's political model of [omni-alignment](#)—maintaining good relations with both the US and China, as well as with both Iran and Israel—came under severe strain.

The UAE's [economic model](#), built around logistics, tourism, and global financial services, was severely affected by the war. The [World Bank](#) reduced its growth projections for the UAE by 2.6 percentage points, implying a loss of output of about \$13.4 billion. The attacks also led to [human casualties](#). Twelve people lost their lives and 224 were injured. This implies a monetary cost of \$0.14 billion for lives lost and \$0.29 billion for injuries.

The available cost estimate for the UAE is simply the sum of the GDP and human losses, \$13.8 billion or 2.7% of GDP. No official estimates of physical damage or additional military expenditures are available.

5. WHO LOST THE MOST?

Table 1 presents a comparison of the losses caused by the war in terms of reductions in GDP and deaths and injuries across the three belligerents, the three FCS countries with Iranian proxies, and the six GCC countries. It is not yet possible to reach firm conclusions based on this table because: (1) it only covers the first six months of the war and things could change depending on how long the war continues and how much oil is able to pass through the Strait of Hormuz; and (2) complete cross-country data on physical damage and the costs of military actions are not yet available. The comparison therefore excludes those two items.

Nevertheless, the data in Table 1 reveal several important patterns, from which some preliminary conclusions can be drawn. It seems safe to conclude that the Arab neighbors of Iran have shouldered a higher share of the cost of the war than either the United States or Israel, and perhaps even than Iran itself. This has important implications for geopolitical and economic policies that Arab countries need to adopt going forward.

Table 1

Comparing Costs Across Countries

Country	GDP loss (\$billion)	Human loss (\$ billion)	Total (\$billion)	Percent of GDP (%)
Iran	23.6	84.0	107.6	29.6
Israel	7.9	10.8	18.7	3.1
USA	0.0	0.3	0.3	0.0
Total Belligerents	31.5	95.1	126.6	
Iraq	39.1	2.0	41.1	16.2
Lebanon	3.5	68.0	71.5	210.3
Yemen	0.1	0.6	0.7	3.2
Total FCS	42.7	70.6	113.3	
Bahrain	0.8	0.1	0.9	1.8
Kuwait	14.9	0.3	15.9	9.7
Oman	1.3	0.1	1.4	1.3
Qatar	23.8	0.0	23.8	11.0
Saudi Arabia	15.0	0.1	15.1	1.2
UAE	13.4	0.4	13.8	2.7
Total GCC	69.2	1.0	70.2	
Total Arab Countries (FCS+GCC)	111.9	71.6	183.5	

Source: World Bank [Global Economic Prospects](#), Al-Jazeera [Casualty Tracker](#), and author calculations.

The first point that emerges clearly from the table is that the total GDP and human losses for the Arab countries studied here amount to \$183.5 billion, while the cost for the three belligerents together amounts to \$126.6 billion. That is, the Arab countries' cost has been about 45% higher than that of the three belligerents. The economic cost for the Arab countries—\$111.9 billion—swamps the loss for the three belligerents—\$31.5 billion. The human cost for the three belligerents—\$95.1 billion, driven by Iran's huge losses of \$84.0 billion—is higher than the \$71.6 billion recorded for the Arab countries.

Comparing country-specific results, it is clear that Iran has shouldered the biggest cost in absolute terms, \$107.6 billion. This is driven mainly by loss of life and injuries, which represent more than three times the economic cost. This does not mean that Iran's economy is doing well, as Iran was already under sanctions and its economy was operating below its full potential. The economic loss figure used here is based on the [IMF's projection](#) for Iran's 2026 growth rate of -5.4%, compared with a pre-war projection of +3.7%, equal to the 2025 growth rate.

But Iran does not appear to be the biggest loser in relative terms. That distinction belongs to Lebanon. The total cost calculated here represents close to 30% of Iran's GDP, but Lebanon's total cost is more than double its GDP. Lebanon is a small fragile country that was already facing huge economic and political challenges before the start of the war. Fighting between Israel and Hezbollah, as part of the broader war involving Iran and its proxies, drove Lebanon deeper into an economic and political crisis. Iran and Lebanon are the two countries that have suffered the largest human costs from the war. The table most probably underestimates their total costs because it does not include the cost of displacement or destroyed infrastructure.

The Arab countries as a group have suffered the greatest economic cost, estimated at more than \$110 billion, many times the loss of GDP experienced by either Iran or Israel. Within the Arab group Iraq has suffered the largest economic loss, estimated at about \$39 billion or more than 15% of Iraq's GDP. This reflects Iraq's geographic position, its proximity to Iran and its dependence on the Strait of Hormuz, as well as the fragility of the Iraqi state, which allowed the PMF to drag the country into a war it had not chosen.

The GCC countries as a group have suffered economic losses of nearly \$70 billion, compared to less than \$8 billion for Israel and zero for the United States. Qatar has suffered the greatest individual GCC economic loss—about \$24 billion or 11% of its GDP. Kuwait, Saudi Arabia and the UAE have suffered losses of about \$15 billion each. For Kuwait this represents a particularly large shock of about 10% of its GDP. Given their larger economies, the cost for Saudi Arabia and the UAE represents 1.2% and 3% of their GDP, respectively.

Given the huge physical damage suffered by Iran, would the brief's conclusion change if physical damage were included in the cross-country comparison? It is hard to tell because Kuwait, the UAE and Qatar have also suffered significant physical damage. It seems safe to conclude that since the sum of GDP and human losses for the Arab countries exceeds the estimate for the three belligerents by close to \$70 billion, and Arab countries have suffered significant physical damage that has not yet been monetized, the conclusion that Arab losses exceed those of the three belligerents is unlikely to change as more data become available.

6. CONCLUDING REMARKS: WHAT COULD THE ARABS DO?

The calculations presented here are preliminary and incomplete. Nevertheless, they provide strong *prima facie* evidence that the Arab countries neighboring Iran—and especially the six GCC countries—have borne a higher cost from the recent war than either Iran, Israel or the United States. The question now is what this implies for their policies going forward. Three policy areas need to be explored. First, GCC countries must have a much bigger voice in decisions concerning war and peace in their region. Second, the GCC and Iraq need to reduce their dependence on the Strait of Hormuz. Third, regional powers need to support the FCS countries in addressing the social, economic and political drivers of fragility, thereby strengthening their stability for the benefit of their populations and the wider region.

Arab countries—especially the GCC—have borne high costs from a war they did not start and on which they were apparently not consulted. This state of affairs needs to change.

GCC countries are close allies of the United States. They host US military bases and provide support to US forces in the area. This partnership has worked well and has benefitted both the US and the GCC countries. It needs to be strengthened and improved in a way that ensures future US actions in the region—against Iran or otherwise—are undertaken in consultation with the GCC. GCC countries could use their economic and strategic leverage to reach agreements with the US that provide for consultation and discussion before major military actions are undertaken. Naturally, the consultation process would need to be carefully defined to respect security and confidentiality requirements.

Future conflicts in the Middle East will most probably include attempts by either state or non-state actors to close key chokepoints—the Strait of Hormuz, the Bab El Mandeb, or the Suez Canal. It is important that GCC countries and Iraq develop alternative trade routes so that they are not completely dependent on a single chokepoint. This would imply investments by the UAE in pipelines to bypass Hormuz, investments by Saudi Arabia in pipelines to the Red Sea, and investments by all countries in pipelines providing direct access to the Mediterranean through Syria.

Iraq, Lebanon and Yemen have been suffering from conflict and fragility for more than a decade now. The result has been an erosion of state institutions and the rise of various militias supported by foreign powers. It is the people of those countries who are the main victims of this situation. But neighboring countries and the whole world also suffer from this instability, especially when it leads to acts of violence and the blockage of trade routes. It is therefore important that regional and international powers work together to help those countries achieve stability. As a first step there needs to be an agreement to stop all external support for the various militias while simultaneously supporting either their disarmament or their integration into national armed forces. This should be followed by economic development programs that enhance living standards and ensure that all groups in society, especially young people, are included and benefit from economic growth. The Arab League may have a role to play in this effort, working alongside other regional and international organizations.

The conclusion that the Arab neighbors of Iran may have suffered greater economic losses from the war than Iran itself is striking. It is important to emphasize again that this is based on preliminary and incomplete data. Nevertheless, the overall argument that the war's cost for the Arab countries has been extremely high and may even exceed the cost to Iran appears robust. Arab countries need to protect themselves against similar situations in the future. They need to use their economic and financial leverage to secure a seat at the table where decisions about war and peace in their region are taken. They also need to invest in alternative trade routes to reduce their vulnerability to a few geographical chokepoints and work together to address the underlying causes of fragility and conflict in their region.

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