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# The Impact of the Iran–Israel Conflict on Trade, Investment, and Financial Strategies in GCC Economies: A Saudi Arabian Perspective

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## Abstract

The Iran-Israel war is generating new global political and economic ramifications, and it is exposing the Kingdom of Saudi Arabia more than ever. However, as a regional economic and strategic power, Saudi Arabia must take stock of the gravity of the situation and formulate a policy that best serves its national interests. This paper discusses the war's impact on the Saudi economy and business environment (energy markets, logistical networks, investor confidence, and Vision 2030). The fighting is helping drive oil-price volatility, in part because overseas markets fear possible disruptions to the Strait of Hormuz. The effect has been on regional and international air and ocean routes and has also led to increased shipping prices, insurance and delivery delays. There are also security concerns and operational risk from threats to Gulf oil infrastructure. A better understanding of these issues could help policy makers, investors and business leaders to build economic resilience and protect long-term development goals.

## Keywords

*Geopolitical Conflict, Trade Disruption, Investment Stability, GCC Economies*

## 1. Introduction

The surprise war between Iran and Israel has had repercussions beyond the regional geopolitical sphere of the Gulf Cooperation Council (GCC) and has been a severe test for the Kingdom of Saudi Arabia as it tries to develop policies to protect its economy and maintain financial sustainability (Acharya, 2024; Oxford Economics, 2024). The turbulence is also affecting commercial lanes and

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maritime routes in an unprecedented war-mongering climate, creating confusion over the international markets and shedding a fog over homeland and foreign investors (Oxford Analytica, 2024; Enescu & Szeles, 2026).

The conflict pattern in the Middle East has taught us that wars inevitably generate geopolitical tension that stakeholders including the Kingdom anticipate by developing policies that preserve economic interests and contribute to the reliable supply of global energy, commodities and capital (Gause, 2019; Kamrava, 2012). This sense of uncertainty and danger is further amplified by the ongoing armed conflict between Iran and Israel for business agents in the region (Sim & Griffiths, 2024).

Iran and Israel, arguably the two most dominant actors in the GCC setting, are also important disruptors of world trade (Cordesman, 2019). Peace is still the backbone of regional wealth, as no country profits financially or politically from a long-lasting conflict (El-Anis, 2021).The war has ramifications beyond these two countries and is affecting the entire GCC region which include Saudi Arabia, the UAE, Qatar, Kuwait, Oman and Bahrain where the economies of its members depend on predictable geopolitical conditions to stimulate economic growth, investment and trade (Bremmer, 2015; Hill, 2023).

One of the major ramifications of the War would be the closing of the Strait of Hormuz, a crucial maritime choke point through which a huge part of the world's energy and trade passes (Abd Chiale, 2026). Disruptions to this route raise oil prices, delay shipping and increase shipping costs, with negative impacts on trade and commerce across the GCC (Levy et al., 2026).

Peace and regional geopolitical stability were indicated as necessary preconditions for a country to exploit opportunities and pursue its economic aspirations (Krugman & Obstfeld, 2018). The conflict keeps shaking the business markets both inside and outside the country, impacting the confidence of local and global businesses (Fianto et al., 2026). Foreign direct investment (FDI) is very important to Saudi Arabia's diversification initiatives and increasing the FDI inflows is essential to reduce the dependence on oil earnings (Rahman, 2021). However, geopolitical tensions often deter foreign investors due to increased operational risks and uncertainties (UNCTAD, 2023; IMF, 2023).

Saudi Arabia has undertaken improvements in tourism, logistics and manufacturing to meet the Vision 2030, but long-term conflict could undermine production, exports and investment (Garba & Abubakar, 2025; Alomar, 2025). The war between Iran and Israel brings uncertainty impacting the investors' mindset, raising concerns about operational costs, supply chain delays and unpredictable market condition (Malikov & Alimov, 2025). While some sectors like oil may benefit in the short

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term, the Kingdom's wider economic objectives are at risk from long-term volatility (Haque & Tausif, 2026).

As Saudi Arabia is the dominant player in the GCC economy, it is therefore essential to understand the impact of Middle Eastern geopolitical tensions on corporate behavior in the region (O'Connell & Bueno, 2025). The analysis of the impact of the Tehran-Tel Aviv war will be useful for policymakers and investors in formulating strategies to mitigate the risks and sustain the economy (Bendall & Brooks, 2025).But Saudi Arabia cannot escape the aftershocks of the conflict – and it may take effort to cushion the shock – not least through the Strait of Hormuz, which remains as vital to the world energy supply as ever (Cordesman, 2019).

This study therefore evaluates the unprecedented impact of the Iran–Israel war on business activities, trade mechanisms, investment flows, and economic stability in GCC countries. It identifies the challenges posed by the conflict and proposes strategies that businesses and policymakers can adopt to maintain resilience amid geopolitical uncertainty (Acharya, 2024; Oxford Economics, 2024).

### 1.1 Problem Statement

There is no iota of doubt that the ongoing geopolitical conflicts have created barriers in front of smooth functioning of business activities and created an environment of scare and instability in the whole GCC zones. The ongoing geopolitical conflict has created significant barriers to business operations and heightened uncertainty across GCC economies. This very conflict would be very lethal for the world economic order.

As a matter of fact, this turmoil situation is going to create an environment of uncertainty for the international trade owing to the deficit of energy resources. This conflict would adversely affect the countries coming under the Gulf region, which are the most vulnerable and they would have to pay the heavy cost of this conflict owing their heavily dependence on the oil exports, world trade and international investment. The member states of the Gulf Cooperation Council—Saudi Arabia, the United

The member states of GCC play a vital role in ensuring the dynamics of the economy of the region. The ongoing turmoil in the Gulf region is going to adversely affect business activities such as marketing, supply mechanism, logistics and at the end the financially viability of the commerce and trade of the middle-east. As a matter of fact, the Strait of Hormuz is the main water ways that connects the whole world to the Gulf-Region and Iran's stand of not letting any cargo without its permission is going to be very detrimental for the world business order.

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*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
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Despite the geopolitical conflict among Iran, Israel and America create serious business ramification affecting the GCC especially the Kingdom of Saudi Arabia's economy, limited research has been carried out to evaluate the consequence as well as formulating strategies so that the minimize the negative impact of this very unprecedented in this modern era.

### 1.2 Research Objectives

The main purpose of this research is to evaluate the behavior of effect of the Iran-Israel war on the on-business dynamics of GCC countries.

#### 1.2.1 Specific Objectives

a) To assess the impact of the Iran–Israel armed conflict on the business operations in GCC countries.
b. To evaluate the impact of geopolitical insecurity on trade, investment, and supply chains in the GCC region
c. To assess the impact of the war on oil supply, tourism, and financial sectors in GCC economies.

To formulate strategies that businesses can adopt to mitigate the risks arising from geopolitical devoid of trust and insecurity

### 1.3 Research Questions

This study seeks to answer the following research questions:

a. How is the Iran–Israel conflict going to affect business mechanism in GCC countries?
b. What would be the effect of geopolitical conflict on trade and supply chains in the GCC region?
c. How does the conflict create impact on investment flows and financial markets in GCC economies?
d. What strategies can be formulated and adopted by businesses to minimize risks associated with geopolitical conflicts?

### 1.4 Significance of the Study

This study is badly needed in order the ensure the financial viability in the business hemisphere of GCC countries.

Firstly, this study would be very helpful for the policymakers in GCC countries to realize the potential economic consequences of geopolitical conflicts, set objectives in the volatile situation and priorities to develop policies to protect economic stability.

Secondly, the study will help business organizations in realizing the business risks associated with this very conflict and formulating effective and efficient strategies to maintain the smooth flow of business during periods of instability and ambiguity.

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Apart from this, this study would definitely contribute to the ambit of academic literature on international business and geopolitical uncertainty by bringing the facts, which are lurking below the surface that provide deep view into how regional conflicts affect the economic activities beyond the middle east on the international level. The result of the study would also give benefit to ensure a dynamic and resilient business governance.

### 1.5 Scope of the Study

This research is centrally concentrated on evaluating the economic and business impact of the Iran-Israel military conflict on the countries of the region i.e. GCC especially the Kingdom of Saudi Arabia. This study will assess the very sectors such as oil and energy, financial investment, commerce, the logistic sector, tourism and financial viability of all sectors that is going to be affected by this war in the Middle-East region. The hallmark of this research would be six GCC countries i.e. Saudi Arabia, Arab Emirates, Qatar, Kuwait, Oman and Bahrain.

## 2. Literature Review

### 2.1 Geopolitical Risk and Economic Stability, Energy and Investment Dynamics, Trade and Vision 2030

Financial stability, overseas trade and investment activities have always been heavily affected by geopolitical conflicts. Political uncertainty, conflicts and regional disputes have a detrimental impact on financial markets and business. Malikov & Alimov (2025) considered political instability to be a deterrent to investment and a decline in economic development due to increased uncertainty and a loss of investor trust. El-Anis (2007) further noted that hostile conflicts result in a huge economic burden by reducing commerce, inducing capital flight and loss of productivity.

The simmering ba¥ between Tehran and Tel Aviv has clearly spilt over into more geopolitical uncertainty in the Middle East. The conflict has negatively affected regional stability, energy security, and global investor confidence (Oxford Economics, 2024). The global markets are being rattled by tensions in the GCC. Enescu and Szeles (2026) also showed that the global stock market behaviour is significantly influenced by geopolitical risk (mostly when international tensions are high).

The Gulf Cooperation Council (GCC) member states are major players in the world economy because of their energy resources, location and trade position in the world. Thus, the geopolitical conflicts in the region have a spill-over effect on other countries. Acharya (2024) that the Iran–Israel conflict has changed regional security dynamics and created a permanent source of concern for the governments, businesses and investors of the Gulf area.

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The "Geopolitical risk" has been recently focused due to its impact on not only government but also corporates decision making. Bremmer (2015) claimed that the influence of regional warfare on global markets and regional economies is compelling firms to include geopolitical risk more actively in business planning and decision making. Similarly, Hill (2023) claimed that multinational corporations (MNCs) in politically sensitive regions need to set up risk-mitigation strategies to lessen the impact of possible geopolitical disruptions.

Energy markets are among the most exposed to global upheaval. And since the GCC contains a major share of the world's oil and natural gas supplies, stability in the area is crucial for global energy security. Sim & Griffiths (2024) associated the disturbances in the Gulf region with possible disturbances in global oil pricing and energy supply systems. The conflicts between Iran and Israel have raised fears of disruption to oil shipping lines, especially the Strait of Hormuz.

The Strait of Hormuz is one of the most strategically important sea choke spots in the globe. Al-Naggar (2023) adds that one fifth of world oil exports goes through this short tunnel, Abd Chiale (2026) explains. An interruption in such a busy route would have dramatic influence on energy prices, transport costs and inflation around the world. Poll (Levy et al., 2026) Consensus that military tensions in the Strait of Hormuz are factored into shipping insurance and contributing to greater forward energy supply uncertainty.

Geopolitics has a huge role in oil futures historically. Kamrava (2012) argued that Gulf wars generate oil market speculation and supply concerns, which directly link to oil price changes. Similarly, 'instability in the Persian Gulf affects international energy markets given that region's outsized role in global oil production' (Gause 2019, 32).

In the short term, there would be an increase in income for oil-exporting countries like Saudi Arabia, but long-term volatility would lead to negative economic results. Haque & Tausif (2026) concluded that the long-lasting geopolitical conflicts can have unfavourable effects on investment, diversification of the economy and fiscal stabilisations.In the short-term, Saudi Arabia could potentially enjoy short-term financial rewards from higher oil prices, but war in the long-run would undermine more extensive ambitions of economic development..

Foreign Direct Investment (FDI) is regarded as the driving force in economic growth, transfer of technology, generation of jobs and diversification of industry. Countries interested in sustainable economic growth often look to foreign investment as a source of the supply of capital. According to Rahman (2021), Foreign Direct Investment (FDI) is a crucial pillar in the economic diversification plan of Saudi Arabia and which is in line with objectives of the Vision 2030.

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However, foreign investors tend to be cautious of the geo-political instability as it brings about more uncertainty and risk perception. Al-Tamimi (2016) emphasises that political conflicts affect international trade through the consequences for trust and risk. Investors generally like "stable" political conditions because predictable returns and fewer unexpected interruptions are more easily obtained.

The Iran–Israel conflict has raised concerns about the safety of investment in all GCC nations. Geopolitical uncertainty can have a considerable impact on international capital movement as investors tend to shift their money to safer economies (United Nations Conference on Trade and Development (UNCTAD, 2023).Likewise, The International Monetary Fund (2023) noted that political instability adversely effect investment choice especially in emerging market.

Malikov and Alimov (2025) pointed out that political instability can scare investors because of uncertainty about the future conditions of the economy. This means that investor caution is high when a government is under security or geopolitical challenges. Also, Fianto et al., (2026) stated that geopolitical concerns have a great role in the instability of stock markets in the GCC region affecting well the sentiment of investors and the flow of money.

The Saudi government has done a number of things to attract foreign investment and make it easier for companies to work. Garba and Abubakar (2025) explain that Vision 2030 emphasizes attracting foreign investment through regulatory reforms, sector engagement, and institutional capacity development. But geopolitical considerations are a key risk, as they can erode market confidence, even when reform momentum is positive.

Supply chains are globalizing, and they are particularly vulnerable to geopolitical shocks. Transit and commerce channels are crucial to today's industry. Hence, wars can cut off necessary transit routes, incurring high economic costs.

Iran and Israel's rivalry has strained maritime and aviation transit in the Middle East. Bendall and Brooks (2025) associated geopolitical tensions with higher insurance prices for maritime transport, shipping schedule delays, and higher transportation costs. Such disruptions undermine trade competitiveness and drive up the cost of doing business for companies in the region.

Geographically Saudi Arabia is a logistical hub between Asia, Europe and Africa. And it also puts it in the crosshairs of regional instability. O'Connell and Bueno (2025) observed that regional wars have significantly affected the aviation and logistics industries of the GCC countries, such as airspace closures and aircraft disruptions. The Strait of Hormuz is a vital trading route and any snag there immediately affects oil supplies and trade at large. Then it could be a hit to the bottom line for GC firms with rising freight costs.

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*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
*ISSN: 3139-3977(Online)*

International market trade is dependent on the cost effectiveness of transportation and market stability (Krugman and Obstfeld, 2018). Any disruption of the trade routes, for any reason, increases transaction costs and decreases the efficiency of the economy. This could imply that the long-term geopolitical tension in the region might spoil the regional trade performance and thus the economic growth.

New research shows companies are investing more in strategies that boost resilience in supply chains and reduce the risks of geopolitical volatility. According to Hill (2021), companies working in unstable territories require a broad supplier network, contingency plans and a strong logistical network to deal with the risks involved in their operations. These steps could reduce GCC vulnerability to rising global tensions.

One of the most ambitious economic reform programs in the Middle East is Saudi Arabia's Vision 2030. The project aims at reducing dependence on oil revenues, diversifying the economy, attracting foreign investment and encouraging sustainable growth.Vision 2030's success hinges on sustained political stability and investor confidence.

According to Garba and Abubakar (2025), Vision 2030 is based on transforming Saudi Arabia into an economy similar to that of other countries through the utilisation of tourism, technology, logistics, manufacturing and renewable energy.In the same vein, Alomar (2025) underscored the positive effects of digital transformation projects in advancing entrepreneurship and economic reform in Saudi Arabia.

Geopolitical tensions, however, stand in the way of long-term development goals. Haque & Tausif (2026) also noted the volatility in the region could influence foreign investment and cause the delay of important projects related to the diversification of the economy. Investors also seem to take geopolitical risk into account when making investment decisions for the long term, and a protracted period of uncertainty could lead to less participation in large-scale development projects. Saudi Arabia's response to this challenge has been enhanced diplomatic engagement, deepened economic partnership and increased institutional resilience. Rahman (2021) argued that economic liberalisation and investment incentives policies may boost the Kingdom's attractiveness to foreign invest even in turbulent regional times.

The GCC economies have shown considerable resilience to previous shocks in the region (World Bank, 2023). But the pursuit of diversification is a hard grind requiring more advances in governance, infrastructure and innovation.These are the policies needed to advance the long-term2Goals of Vision 2030 despite unavoidable external geopolitical obstacles.

There is a fairly strong association between geopolitical instability, economic performance and international investment in the extant literature. Malikov and Alimov (2025), Oxford Economics (2024), Acharya (2024), and Enescu and Szeles (2026) show that conflict negatively affect economic activities, investors' confidence, and financial markets. Also, studies on the GCC economies focus on the importance of energy security, trade routes and economic diversification.

However, there is a small body of study on a possible Iran-Israeli war that might impact commerce in the GCC states, primarily Saudi Arabia. So far, most of the study has focused on energy markets, security issues or financial volatility in isolation, and not on a comprehensive analysis of how this affects corporate activity, logistics, foreign investment and the Vision 2030 goals. Hence, the present study seeks to fill the vacuum by investigating the multiple consequences of the Iran–Israel conflict for the GCC economies, as well as exploring the risk mitigation techniques that enterprises and policymakers may adopt.

### 2.2 Conceptual Framework

The theoretical model, based on the literature study, predicts the relationship among important constructs. The conflict between Iran and Israel is the main independent variable that influences the dependent variable of business performance in the GCC nations in this model. The narrative also suggests that such impact is transmitted through three major channels namely changes in world oil prices, disruptions to regional and global supply chains and erosion of FDI inflows and declining investor confidence. Together these elements show the translation of geopolitical volatility into economic and corporate fragility in the region. Figure 1 presents the conceptual framework about the impact of Iran – Israel war on the business performance in GCC economies via three mediators such as oil price volatility, supply chain disruption, reduced FDI and investor confidence.

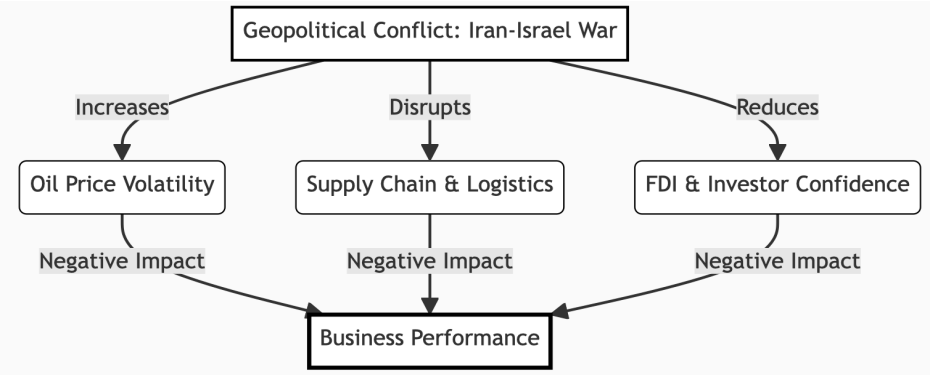


Figure 1: Conceptual Framework

*Asian Journal of Business Research & Innovation (AJBRI)*
*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
*ISSN: 3139-3977(Online)*

## 3. Research Methodology

The purpose of this research is to analyze and describe the cost of Iran-Israel conflicts to the GCC states, especially Saudi Arabia, in under study by descriptive-analytical technique. The objective of this research is to assess the effect of insecurity at the geopolitical level on activities in the economy (trade, oil supply, foreign direct investment, tourism, logistics and financial markets) with a mixed methodologies narrative (qualitative and quantitative). The descriptive part is on the war show and economic ramifications. The analytical part investigates the relations between the geopolitical instability and selected economic performance indicators in the GCC countries.

### 3. 1 Research Design

The research adopted a cross-sectional design to examine and collect data from top executives of the firms in GCC states at one point of time. A cross-sectional method is appropriate to capture thoughts, experiences and commercial implication of the continuing geopolitical struggle and not observe evolutions of these issues over years (as would be implied in a longitudinal design).

### 3.2 Statistical Software

Descriptive, correlational and regression analyses will be performed in SPSS Version 27 that provides comprehensive tools for this type of study. Look at the connections. A surefire way to do it is to identify geopolitical, corporate performance metric, and SPSS v27.

### 3. 3 Reliability and Validity Checks

The study employed the following techniques to ensure the reliability and validity of the findings:

- Content Validity — Items of the questionnaire were extracted from the relevant literature on geopolitical risk, company performance and the economic dynamics of the GCC. Academics and industry experts reviewed the instrument to ensure that it adequately measures the constructions of interest.
- Construct validity – a factor analysis is performed on the questionnaire items to test if they measure the latent ideas (e.g. supply chain disruption, investor confidence, oil market volatility).
- Reliability testing - The instrument will be tested for internal consistency using Cronbach's Alpha with minimum of 0.70.
- Pilot Testing - To improve the comprehensibility, organization and relevance of the items in the questionnaire, a pilot study will be conducted with 15-20 people before the large-scale investigation.

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*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
*ISSN: 3139-3977(Online)*

### 3. 4 Data Sources

The study is based on the primary and secondary sources of data to enable a complete analysis of the problem under study.

### 3. 5 Primary Data

The main data will be collected by structured questionnaires which will be distributed to the businessmen, managers and specialists of the industry operating in the GCC states.

### 3. 6 Secondary Data

Secondary data will be obtained from

- Academic journals
- Government reports
- International economic reports
- News and business publications

### 3. 7 Target Population

The target population of this study includes:

- Business managers
- Financial analysts
- Trade professionals
- Investors
- Industry experts operating in GCC countries

### 3. 8 Sample Size

Approximately 200 participants will be selected using simple random sampling or convenience sampling procedures.

### 3. 9 Data Collection Method

Data will be collected through:

- Online surveys
- Structured questionnaires
- Interviews with selected experts

### 3. 10 Data Analysis Techniques

The collected data will be analyzed using statistical tools such as:

- Descriptive statistics

*Asian Journal of Business Research & Innovation (AJBRI)*
*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
*ISSN: 3139-3977(Online)*

- Correlation analysis
- Regression analysis
- SPSS v27

These techniques will help in identifying the relationship between geopolitical conflict and corporate performance in GCC states.

### 3. 11 Expected Outcomes

This paper examines the impact of the Israel-Iran L Conflict on the economic activity of selected GCC economies. It may also reflect major business concerns including trade disruptions, investment uncertainty and changes in market conditions. Results are expected to assist the decision makers in preparing contingency plans to shield the economic stability of the GCC from geopolitical concerns.

### 3.12 Questionnaire for Data Collection

**Section A: Demographic Information**

1. Gender
    - Male
    - Female

2. Age Group
    - 20–30
    - 31–40
    - 41–50
    - Above 50

3. Country of Work
    - Saudi Arabia
    - United Arab Emirates
    - Qatar
    - Kuwait
    - Oman
    - Bahrain

4. Industry Sector
    - Oil and Gas
    - Trade and Logistics
    - Finance and Banking
    - Tourism and Hospitality
    - Retail
    - Other

*Asian Journal of Business Research & Innovation (AJBRI)*
*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
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5. Work Experience
    - Less than 5 years
    - 5–10 years
    - 11–15 years
    - More than 15 years

**Section B: Impact of Iran–Israel War on Business Activities**
*(*Likert Scale: Strongly Agree / Agree / Neutral / Disagree / Strongly Disagree)

1. The Iran-Israel conflict is destabilizing the GCC economic climate.
2. Business decision making in GCC countries is influenced by Middle East geopolitical concerns.
3. War has affected the volatility of oil prices which affect the activities of corporate.
4. The Ukraine-Russia hostilities are among the regional tensions that have disrupted supply chains to companies in the GCC.
5. The international trade of the GCC economies has been affected by the conflict.

**Section C: Economic and Financial Impact**

1. Foreign investment in the GCC states was put off by the war.
2. GCC financial markets are vulnerable to geopolitical tensions.
3. The war has affected tourism and travel related sectors in the GCC economy.
4. "The conflict's security concerns limit business growth.

**Section D: Business Adaptation and Risk Management**

1. Adoption of geopolitical risk management strategies by companies in GCC countries is on the rise.
2. Diversifying trading partners mitigates the distorting effect of geopolitical confrontations.
3. Protecting economic stability is becoming increasingly a priority for the governments in the GCC states.
4. Enterprises are spending capital on risk management and contingency planning.

**Section E: Overall Impact**

1. The impact of the Iran-Israel war on commerce in the GCC countries was enormous, for better or for worse.
2. Long-term geopolitical standoff is bad for business in the GCC.

## 4. Data Analysis

Data analysis is a key part of the research approach and is the process by which the collected data is interpreted and useful findings are produced. The data for the study was collected through

*Asian Journal of Business Research & Innovation (AJBRI)*
*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
*ISSN: 3139-3977(Online)*

questionnaires from business practitioners in the GCC countries. The research aims to evaluate the influence of the political (geopolitical) tensions between Iran and Israel on business, commerce, investment and economy of the member states of the Gulf Cooperation Council, i.e. to find out the economic effects of political ties.

### 4.1 Descriptive Statistics

Descriptive statistics will be used to summarize the demographic characteristics of respondents and their perceptions regarding the impact of the conflict on business operations. The results will show the effect size:

- Frequency distribution
- Percentages
- Tables and charts

| Nos | **Country** | **Frequency** | **Percentage** |
|---|---|---|---|
| 1 | Kingdom of Saudi Arabia | 70 | 35% |
| 2 | United Arab Emirates | 50 | 25% |
| 3 | Qatar | 30 | 15% |
| 4 | Kuwait | 20 | 10% |
| 5 | Oman | 16 | 8% |
| 6 | Bahrain | 14 | 7% |
| | **Total** | **200** | **100%** |

Table 1: Respondents by Country

Comment: Saudi Arabia accounted for the largest share of respondents, reflecting its central role in GCC economic activities.

### 4.2 Analysis of Questionnaire Responses

The responses to the Likert-scale questions will be analyzed by calculating the mean score and standard deviation for each statement.

| **Statement** | **Mean** | **SD** | **Interpretation** |
|---|---|---|---|
| Business uncertainty increased | 4.32 | 0.76 | Agree |
| Supply chain disruption | 4.11 | 0.81 | Agree |
| Decline in FDI | 3.95 | 0.89 | Agree |
| Oil price volatility affects business | 4.38 | 0.72 | Strongly Agree |
| Financial market vulnerability | 4.06 | 0.84 | Agree |

Table 2. Descriptive Statistics

*Asian Journal of Business Research & Innovation (AJBRI)*
*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
*ISSN: 3139-3977(Online)*

Comment: Respondents strongly agreed that oil price volatility and business uncertainty constitute the most significant consequences of the conflict.

### 4. 3 Correlation Analysis

Correlation analysis will be used to determine the relationship between geopolitical conflict and business performance.

| Variables | Correlation Value |
|---|---|
| Conflict Intensity - Supply Chain Disruption | 0.69 |
| Conflict intensity – FDI Decline | 0.63 |
| Conflict Intensity – Oil Price Volatility | 0.74 |
| Conflict intensity – Business performance | - 0.61 |

Table 3. Correlation Analysis

**$p < .01$**

Comment: Geopolitical conflict demonstrates a strong positive relationship with operational disruptions and a negative relationship with business performance.

A positive correlation indicates that increased geopolitical conflict leads to greater business disruption, which would have direct adverse impact over the economies of all countries coming under its conflict hemisphere. Regression analysis will be used to evaluate the impact of geopolitical war on economies of GCC countries.

### 4. 4 Regression Model

Business Performance = $\beta_0 + \beta_1$ (Geopolitical Conflict) + $\beta_2$ (Oil Price Fluctuation) + $\beta_3$ (Supply Chain Disruption) + $\varepsilon$ Where:

- **Dependent Variable:** Business performance in GCC countries
- **Independent Variable:** Iran–Israel conflict
- **Mediating Variables:** Oil price changes, supply chain disruption, investment risk

The regression results will show whether the conflict has a statistically significant impact on business activities.

| Variable | β | t-value | p-value |
|---|---|---|---|
| Geopolitical Conflict | -0.418 | -5.84 | .000 |

*Asian Journal of Business Research & Innovation (AJBRI)*
*Vol. 2, Issue 2, PP. 25-44, June 2026, Website: https://ajbri.com*
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| | | | |
|---|---|---|---|
| Oil Price Volatility | -0.296 | -4.12 | .000 |
| Supply Chain Disruption | -0.231 | -3.65 | .001 |
| Investment Risk | -0.198 | -2.98 | .003 |

$R^2 = 0.57$
$F = 42.16$
$p < .001$

Comment: Geopolitical conflict significantly reduces business performance, with oil price volatility emerging as the second most influential factor.

### 4. 5 Hypothesis Testing

The hypotheses proposed in the study will be tested using statistical methods.

| Hypothesis | Hypothesis Description | Result |
|---|---|---|
| H1 | H1: Conflict affects business operations | Supported |
| H2 | H2: Conflict affects trade and supply chains | Supported |
| H3 | H3: Conflict influences foreign investment | Supported |
| H4 | H4: Oil price fluctuations affect business performance | Supported |

Hypotheses will be accepted if the p-value is less than 0.05.

### 4. 6 Interpretation of Results

The analysis establishes that the geopolitical conflict between Iran and Israel has significant economic ramifications for GCC countries. Trade & commerce sectors such as oil, trade, tourism, and finance would experience disruptions owing to supply chain issues, fluctuations in oil prices, and deficit in investor confidence.

The conclusion would facilitate the policymakers and business leaders to realize how geopolitical conflicts affect the economic activities in GCC economies and formulate strategies to reduce the expected risks.

## 5. Findings and Implications

After the analysis of the collected data, the research reaches to some important findings which would mitigate the impact of geopolitical tensions between Iran and Israel on economic activities in the member states of the Gulf Cooperation Council. The ongoing Iran–Israel conflict has appeared to be as one of the most consequential geopolitical crises in recent years, re-structuring economic measurement in the whole Middle-East zone. As the Kingdom of Saudi Arabia, which is putting its best initiative to diversify its economy, plays the most pivotal role in the whole hemisphere of GCC

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countries and Saudi Arabia is going to bear the burn of the impact of the present armed conflict between Iran-Israel beyond its military considerations. It would prove to face the wrath of impact of conflict and will have to cope up the barriers in the path of Vision 2030 transformation agenda.

### 5. 1 Impact on Business Environment

The research shows that the armed conflict between Iran–Israel has created ambiguity and insecurity in the business environment. The most of respondents in this research agree that the geopolitical conflict would cause disruption and insecurity in their markets and formulating strategies would be more daunting task, which would have serious business ramification.

### 5. 2 Impact on Trade and Supply Chains

One of the major findings of the study is that geopolitical conflict can be very detrimental for global trade and logistic mechanism, which would be proved to be barriers to making its economic resilient and robust on international level. As a matter of fact, the blockade of strategic maritime route such as the Strait of Hormuz by Iran would make all the GCC countries pay a signification economic cost. The disruption caused by the conflict.

Any potential disruption in this route can have an effect on shipping, logistics operations, and the cost of goods. The war has already led the airspace closure, flight cancellation and interruptions in maritime routs causing barriers in the logistics mechanism. These disruptions pose serious threat to Saudi Arabia's ambitions to transform its economy under the Vision 2030, which is going to change the worldview about Saudi Arabia paving path to make it one of a modern and advanced state improving its functional adequacy, financial viability as well as its representative character.

### 5. 3 Impact on Oil and Energy Markets

As the economies of the GCC member states heavily depend on their energy and oil industry, it is extremely important to make a contingency plan to reduce the disruption in their supply mechanism. The study further found that the ongoing geopolitical tensions between and Israel would surge the oil price in the international market. As a matter of fact, the surge in oil prices diminishes the government revenues, foreign investment, the pace of the economic growth in GCC countries such as Saudi Arabia and United Arab Emirates.

It is a matter of fact that during the conflict zones, the surge in oil price has temporarily increased the Saudi Arabia government's revenue and reduced production and export. The constraints especially if shipping routes are under threat may can lead these gains.

### 5. 4 Strategic Location and Energy Dependence

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Saudi Arabia is important to the world energy system and any interruption in the Middle East especially around the Strait of Hormuz has immediate impacts on the economic structure of the Kingdom. The Strait of Hormuz is a critical maritime choke point of the world through which a substantial amount of global oil and liquefied natural gas (LNG) passes. The mere threat of a blockade is enough to drive up insurance and shipping costs, putting more pressure on regional trade and logistical networks. Higher oil prices could mean short-term windfall profits for state coffers, but the boom-and-bust attitude discourages company expansion and the inflow of foreign capital. When a country is in a tailspin of geo-political danger, investors tend to shy away from it as they perceive it to be hazardous. This causes the capital inflows to plunge and entrepreneurs to baulk at the prospect of opening shop in a country being torn apart by conflict.

## 6. Impact on Investment and Financial Markets

The research suggests that the geopolitical conflicts would discourage investor to be partner of business ventures and create ambiguity in financial sectors. Naturally, the foreign investors carry out feasibility report before investing their money so that they get a reasonable return of their investment. A stable political environment is badly needed to get their return of their investment. By strengthening investor confidence and diversifying its economy, Saudi Arabia has made significant efforts to position itself as the premier investment destination among GCC countries.

## 7. Business Risk Management

The research further finds that most of the business players have adopted some strategies to cope up with uncertainties caused by war between Iran and Israel. They have decided to diversify their business operation, to invest in logistic to make it resilient and robust. They have also improved their contingency planning to face the volatile situation.

## 8. Conclusion

This research evaluated the effect of the Iran–Israel conflict on business and economic activities in the member countries of the Gulf Cooperation Council and formulating strategies to cope up the going on volatile situation. The findings further reached to the conclusion that the war in the Gulf region have created an environment of uncertainty which would be very detrimental for the economy. The war between Iran and Israel represents more that only a geopolitical confrontation which indicates towards the clash of civilization, which is very complicated and it is very difficult to bring peace in the region. By this uncertainty, the economy of Saudi Arabia is going to be affected badly. Starting from energy market to logistic, tourism and investment, the Kingdom of Saudi Arabia should adapt itself to new order of economic challenges while keeping its momentum to achieve the long economic set goals.

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The research reaches to the conclusion that the conflict between Iran and Israel can create effect the multiple sectors in GCC economies, include trade and commerce, tourism, logistic and intangible services. The control of the Strait of Hormoz by Iran would pose a serious risk to international economies and create energy deficit in the global market.

Furthermore, geopolitical insecurity may discourage the investors to invest in economies of GCC countries, which are facing volatile situation due to the regional conflict. However, the economies have strong foundation, robust business governance and well-thought strategies that would facilitate in mitigating the risk caused by the armed conflict between two countries.

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