Geoeconomic exposure and strategic relevance of the Middle East

Global supply chains have been shaken once again following the joint US and Israeli attack on Iran and the subsequent spread of the conflict to other countries in the Middle East. Subject to uncertainty over the shock's severity and duration, this episode is shaping up to be the greatest disruption to international trade since COVID-19. In addition to its significance as one of the world's main producers of oil, gas, and chemical derivatives, it also holds a strategic geographical position for maritime freight transport and air passenger transport between Europe and Asia. All this means that rising input costs and a lack of critical supplies are once again causing concern for the international productive sector (which, in the case of Europe, was just beginning to recover from the effects of Russia's invasion of Ukraine)[1] and, ultimately, for households due to the potential erosion of their purchasing power.

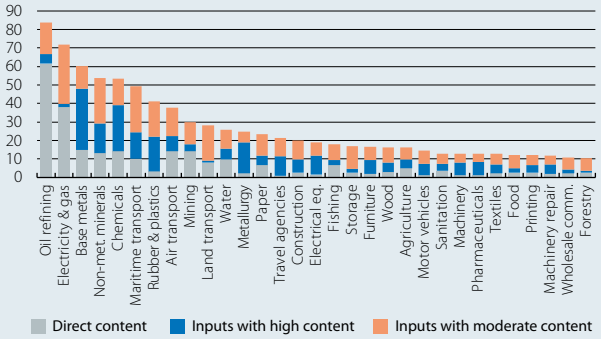
An asymmetric sectoral effect in response to the global rise in energy input costs

Asia is the main destination for oil and gas exports from the Middle East, while in Europe the direct dependency is more moderate, though still significant for some countries.[2] Nevertheless, the global nature of commodity markets means that the shock has also been transmitted to economies sourcing energy well outside the conflict area, and even well-supplied regions, such as North America. In this way, oil- and gas-intensive companies worldwide have been exposed to an increase in their production costs. The sectors with the greatest direct exposure are oil refining and power generation, the chemical and metallurgical industry, transport services, construction-related materials and agriculture (see the first chart, with aggregated data for the EU). In addition to this impact, there is a second layer through derivative products: some, like fertilisers at the start of the food value chain, have a more specific scope; others act as key intermediate goods for various branches of manufacturing, such as plastics and metals in the automotive industry, and others have a more widespread impact, like electricity, a critical input for the majority of economic activity and particularly critical for data centres supporting AI deployment.[3]

In recent years, the EU has reduced its energy intensity,[4] and following Russia's invasion of Ukraine it has made great efforts to diversify its energy sources.[5] However, it remains highly dependent on external sources for its primary energy needs. Furthermore, the share of renewables in electricity generation coexists with a marginal pricing system in which fossil fuels in general, and gas in particular, often continue to determine the price.[6] All this means that Europe's sensitivity to international energy markets remains high. The differences between countries are largely due to the productive structure and the relative weight of the aforementioned energy-intensive sectors: Eastern Europe is the relatively most exposed area, with Poland, Slovakia and Lithuania at the forefront (see second chart), and among the larger economies, Germany has the highest percentage of energy content and France the lowest.

EU: economic activities with the highest energy content

(% of production value, 2023)

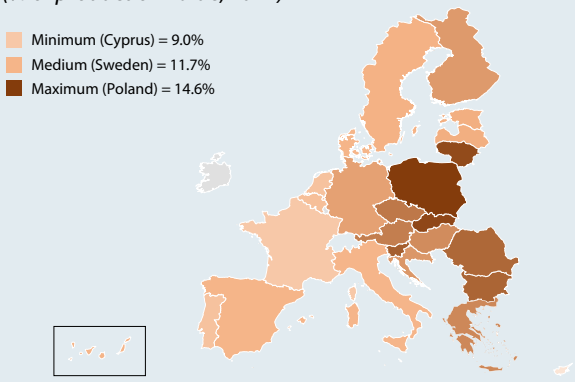


Notes: *Direct content includes mining products, oil refining, electricity and gas. Inputs with high (medium) content include those sectors with direct content equal to or greater than 10% (5%) of production.*

Source: *CaixaBank Research, based on data from Eurostat.*

EU: energy content by country

(% of production value, 2024)



Notes: *Average energy content of each sector in the EU-27 weighted according to the relative sectoral value added in each Member State. The energy content is the sum of the direct content and the inputs with high and medium direct content. Data not available for Ireland, Luxembourg and Malta.*

Source: *CaixaBank Research, based on data from Eurostat.*

1. See the Focus «Characterisation of the business cycle in the EU: neither widespread, nor robust» in the MR01/2026.
2. See the Focus «The oil market enters unknown territory» in this same *Monthly Report*.
3. As proof of this key role, the Trump administration signed a pledge on 4 March with the commitment of seven tech firms to internalise any electricity costs that data centres may generate for consumers.
4. International Energy Agency (2025), «Energy Efficiency 2025».
5. See the Focus «Europe faces another energy crisis» in this same *Monthly Report*.
6. M. Draghi (2024), «The Future of European Competitiveness».

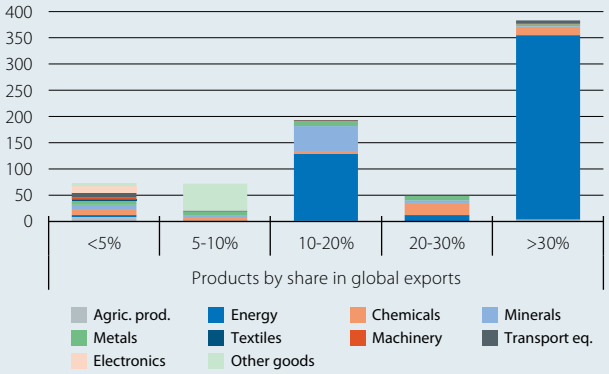
The Middle East's geoeconomic relevance beyond energy markets

The economic importance of the Middle East extends far beyond the oil and gas markets, which are the most visible aspect of the war's impact in the short term. Countries such as Saudi Arabia, Qatar and the UAE are significant producers and exporters of non-energy products, particularly in the chemical and metalliferous sectors (see third chart). These products include nutrients for producing fertilisers, such as urea, for which the production of the region as a whole accounts for around a third of global exports, on which India and Brazil are highly dependent. The region also supplies essential commodities for a wide range of plastic products, such as ethylene glycol, polyethylene (PE) and polypropylene (PP), which represent over 25% of the global market share, with Asia being the main customer. Helium too – a noble gas that is critical for the semiconductor industry and for which the region is a key supplier, with Taiwan being among the most dependent countries. Another example is aluminium and its alloys (15% share), which are used in metallurgy, the automotive sector, construction and machinery, and of which Europe is one of the largest buyers (see the map of the EU's main import dependencies in the fourth chart).

Furthermore, the region is a strategic hub in economic relations between Europe and Asia. In addition to the significance of the Strait of Hormuz as an export route for oil and gas, the region is also home to the Suez Canal, one of the most critical choke points for global maritime freight transport. This latter route has already been under considerable stress since the end of 2023 due to Houthi attacks in the Red Sea around the Bab el-Mandeb Strait, which has reduced maritime traffic passing through this point by 50%, and increased the length and duration of the route to Europe (by 6,500 kilometres and 10-15 days, respectively), diverting it around the Cape of Good Hope.[7] All this has led to significant delays in order deliveries and increased freight costs on this route, which is particularly important for goods with a low unit value, such as bulk shipments of grain and fertilisers or basic manufactured goods such as furniture, textiles and toys. This situation could be exacerbated by the extension of the conflict in the Middle East. It should be recalled that the EU has significant dependencies on China in critical minerals for the automotive and tech industries,[8] as well as for consumer electronics (mobile phones and laptops) and electrical equipment (household appliances, industrial batteries and generators).[9]

Exports from the Middle East: by global share and sector

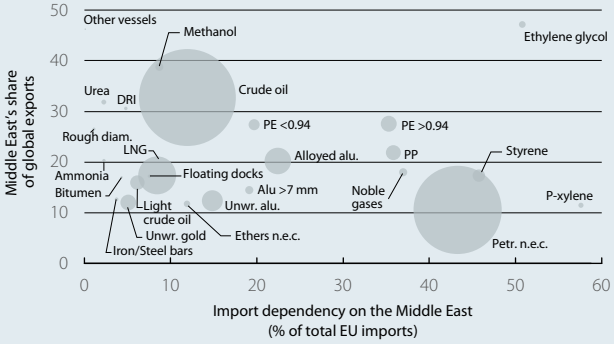
(USD billions, 2024)



Note: *Sum of exports from Iran, Iraq, the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait and Oman. Calculations based on products at the 6-digit level of the HS classification.*
Source: *CaixaBank Research, based on data from the Atlas of Economic Complexity.*

EU: import dependency on the Middle East

Selected products, 2025



Notes: *Products at the 6-digit level of the HS classification in which the Middle East has a global export share of 10% or more. The Middle East includes Iran, Iraq, the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait and Oman. The area of the circles is proportional to the value of EU imports from the Middle East.*
Source: *CaixaBank Research, based on data from Eurostat and the Atlas of Economic Complexity.*

Finally, it is also worth highlighting the role played by Dubai and Doha as international air hubs. In addition to serving as international connectors between Europe, Asia and Africa, the region has gained increasing importance as a tourist and business destination through the promotion of major international events, sectoral congresses and a notable development of hotel and leisure infrastructures. In 2024, Dubai Airport – the second busiest in the world and the first in international traffic – reached 92 million passengers, while Doha's approached 53 million. The escalation and prolongation of the war in Iran could divert air traffic and travellers to other areas, potentially benefiting Europe, as happened during the Arab Spring in 2010 and, more recently, following the conflicts in Israel.

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7. United Nations (2025), «Review of maritime transport 2025: Staying the course in turbulent waters».
8. See the Focus «China's alchemy: how it transforms critical minerals into global power» in the MR01/2026.
9. See the Focus «Import dependencies and competitive emergencies for Europe's industry» in the MR07/2025.