



War in Iran: Who wins and who loses?

by Ian Bond and Thomas Maddock, 20 March 2026

The attack on Iran by the US and Israel is good news for Russia but bad news for Europe, including Ukraine, and ultimately for the US itself. China could emerge as a long-term winner. Europeans must look after their own interests, regardless of Trump's wrath.

In launching a war of aggression against Iran on February 28th 2026, the US and Israel have caused renewed chaos in the Middle East, after a few months of relative stability following the US-brokered ceasefire agreement in Gaza. US president Donald Trump seems not to have considered what the war's wider effects might be, or its winners and losers; Israeli prime minister Benjamin Netanyahu may not care.

The winners

Russia seems likely to be the biggest winner, in several ways. First, higher oil and gas prices will boost Russian export revenues, enabling the regime to ease pressure on the civilian economy, and to keep ploughing money into the war against Ukraine. Global oil prices rose from under \$60 a barrel in the first week of January to more than \$100 on March 13th, while natural gas prices in the EU more than doubled between mid-December 2025 and early March. Both prices could go much higher if the Strait of Hormuz remains closed for a significant period. In an effort to increase the amount of oil in the global market, the US has [suspended](#) sanctions on the purchase of Russian oil, initially for a 30-day period.

Second, as one of the world's major fertiliser producers, Russia will also be well-placed to replace Saudi Arabia as a supplier if the Saudis are unable to export their products. That would give Moscow another source of revenue, and scope to withhold fertiliser supplies from Europe unless sanctions are suspended or lifted.

Third, the war has handed Russia a valuable propaganda tool to deflect criticism of its war against Ukraine. Putin's spokesperson, Dmitry Peskov, was clearly relishing the moment when he [told](#) a Russian television commentator: "I don't even know how to call on anyone to adhere to the norms and principles

of international law. It no longer exists.” Western governments will claim (rightly) that Russia’s attack on democratic Ukraine is a very different case from the current assault on Iran’s repressive government, with its nuclear weapons programme and its history of proxy warfare against Israel and others. But the United Nations Charter makes no distinction: “All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state”.

Israel is also likely to be among the winners. By vastly reducing the power of Hamas in Gaza and Hezbollah in Lebanon, it had already reduced the threat from Iran’s proxies. The joint US and Israeli attacks on Iran’s nuclear facilities in 2025, together with the targeted assassinations of Iranian nuclear scientists, had already set back Iran’s nuclear weapons programme considerably. The recent attacks have killed many of Iran’s top military, political and spiritual leaders and destroyed much of Iran’s military infrastructure. Over time, that should make it harder for Iran to keep attacking Israel – especially if the war causes internal conflict in Iran (even if there is so far no sign of the regime losing its grip on power). For Netanyahu personally, the war might help his political fortunes as Israel heads into October elections, though polls show only [a slight increase](#) in support for his Likud party so far.

China may suffer limited short-term economic damage, but it could turn out to be a winner in the long term. [Around half](#) of its oil imports and one-third of its gas imports come from the Gulf. Rising global oil and gas prices and disruptions of flows from the Gulf will therefore have a negative impact on the Chinese economy, but unless the closure of the Strait of Hormuz persists, the effects will be cushioned by China’s large production surpluses and inventories. A broader downturn in the global economy and shrinking global demand for Chinese exports would hit China’s export-oriented economy, forcing it either to cut production capacity or shift to greater domestic consumption.

China’s advantage, however, is that oil and gas make up a relatively small share of its total energy mix – 26.2 per cent, compared with 57.0 per cent for Europe, according to the International Energy Agency. The role of renewables in China’s energy mix is increasing rapidly, and China leads the world in the transition to electric vehicles, which will mitigate the effect of a prolonged reduction in oil supplies. In the shorter term, coal still accounts for about 60 per cent of China’s energy mix, giving Beijing scope to shift more power generation to coal if necessary. In addition, though China has in the past tried to avoid excessive dependency on any one supplier of oil or gas, it could increase imports from Russia if the Gulf remains out of bounds for some time.

The long-term wins for China would come in three forms. First, Beijing will be able to take advantage of the damage that the war is doing to US relations with countries in the Middle East. The US administration seems not to have foreseen that Iran would attack facilities in the Gulf states with drones, and [reportedly](#) turned down a 2025 Ukrainian offer of counter-drone technology. As a result, US partners in the region have suffered attacks on oil refineries, desalination plants, airports and other targets. Nor was Washington prepared for the Iranians to disrupt shipping transiting the Strait of Hormuz: in 2025 it removed its dedicated mine-clearance ships from the Gulf. Trump [suggested](#) that other countries, including China, should send forces to escort ships through the strait – though he got a universally negative response, even from NATO allies. China, by comparison, can portray itself as the stable, predictable ‘adult in the room’ – a country less likely to drag its partners into unnecessary wars.

Second, China will be well placed to profit if other countries conclude that the best response to disruption of oil and gas supplies is to accelerate their energy transition. With its dominance of global

production of solar panels, electric vehicles, and increasingly wind-turbine components, China would be able to meet increased demand for these technologies.

Third, China can take advantage of US distraction from the Indo-Pacific region. Shortages of anti-missile defence equipment in the Gulf are already forcing the US to [transfer](#) some elements of its Terminal High-Altitude Area Defence (THAAD) system from South Korea to the Middle East. THAAD, which can intercept longer-range ballistic missiles than Patriot, is in very short supply: only 96 interceptors are currently produced each year, though the US government and Lockheed Martin have recently [agreed](#) to increase that to 400. Given China's large and growing arsenal of missiles, THAAD would be central to defending US assets and allies in any conflict in the Indo-Pacific region. Deliveries of other US military equipment to its Indo-Pacific allies may also be delayed if the war drags on and Washington needs to prioritise the needs of its own forces and those of Israel and the Gulf states.

The losers

The war's most immediate effects are felt by the Iranian people. As of March 17th, Iran's health ministry [reported](#) that at least 1,444 people had been killed and 18,551 injured since the start of the war. [Reportedly](#), a US strike on a girls' school killed over 175. These casualties come on top of those inflicted by the Iranian regime itself: the reported death toll from the regime's suppression of protests in Iran in December 2025 and January 2026 was between 3,117 (the official figure) and more than 30,000 (an unofficial figure from health authorities in Iran). Trump said in January that the US would come to the protesters' rescue. The current bombing campaign, however, is leading opponents of the Islamic Republic to [question](#) whether Israel and the US have citizens' interests in mind.

Still, the regime is under pressure. Israel and the US are continuing to pound Iranian targets, including oil facilities. Iran's naval capacity has [been crushed](#). The volume of Iranian missile and drone attacks has fallen considerably since the first days of the war. Perhaps the greatest threat to regime stability would be a prolonged loss of oil revenue. The US is moving a Marine Expeditionary Unit (MEU) from Japan; such a unit is capable of carrying out an amphibious landing, and there are [reports](#) that the US may try to take over Iran's main oil-exporting port at Kharg Island in the northern Gulf. As the costs of the war stack up and revenues fall, the regime's apparent durability might give way to instability. Minority groups in Iran, including Kurds in the north-west and Baloch in the south-east, might once again challenge the regime in pursuit of their own aims, whether autonomy, independence or union with ethnic kin in neighbouring states.

For now, however, the regime appears to have consolidated its position. The authority of hardliners, increasingly challenged in the latter part of Ali Khamenei's rule, has been reinforced. The installation of Mojtaba Khamenei, Ali Khamenei's son, as the new supreme leader, signals a degree of regime stability. Mojtaba, following the killing of his father, mother, wife, and sister, will probably be even less inclined to compromise than his father was. For the moment, the regime can still launch missiles and drones at its neighbours around the Gulf, as well as at Israel.

Civilian devastation has not been limited to Iran. Israeli strikes on Lebanon have [reportedly](#) killed over 900, and forced the displacement of about 830,000 people. A return to full-scale conflict would mean yet more civilian suffering in Lebanon. Meanwhile, in Palestine, Israel continues to block vital aid to Gaza, while intensifying repression in the West Bank. In the absence of Iran's support to Hamas, Israel may feel emboldened to increase the pressure on the Palestinians.

While casualties in the Gulf states have so far been limited, these states will suffer economically if the war continues for much longer. Saudi Arabia can reroute some oil to its Red Sea coast for loading, but its main port there, Yanbu, can handle less than one-third of its normal daily output, and the Saudi authorities are already cutting production. The UAE can export some oil from Fujairah, outside the Strait of Hormuz, but Iran [attacked](#) oil storage facilities there on March 14th. Other Gulf states are totally reliant on exports via Hormuz: Iraq, for example, has had to [cut](#) production from around 4 million to 1.4 million barrels per day. Though the Gulf states have allowed the US to attack Iran from bases on their territory, they are unlikely to join offensive operations, signalling their preference for de-escalation.

Outside the region, the main losers are in Europe, not least because Trump's action has further undermined the international legal norms that have contributed to European states' security and prosperity since the end of World War Two. US administrations have often taken a more flexible view of international law than their European counterparts, but Trump stands out for having made no effort at all to provide a legal justification for the attack on Iran. Europe is ill-equipped for a world in which "the strong do what they can, and the weak bear what they must", as the 5th century BC Greek historian Thucydides wrote.

Ukraine is particularly vulnerable to the negative effects of the war in the Gulf. It was already short of US Patriot anti-missile interceptors, and was hoping that its European partners would buy more from the US to pass on to it, under NATO's 'Prioritised Ukraine Requirements List' (PURL) scheme. That seems a vain hope now. According to an [estimate](#) by *The Economist*, the US and its Gulf partners probably used 800 interceptor missiles in the first three days of the war: more than the US manufactures in a year, and [according](#) to Ukrainian president Volodymyr Zelenskyy, also more than Ukraine had received since Russia's full-scale invasion in 2022. Washington will probably prioritise refilling its own stocks and those of its Gulf allies, rather than helping Ukraine. That will leave Ukraine's cities and what is left of its energy infrastructure largely defenceless against Russian ballistic missile strikes, though the Ukrainians have effective counter-drone weapons.

For the rest of Europe, rising energy prices will be a serious concern, even though the EU [imports](#) less than 4 per cent of its gas and about 6 per cent of its crude oil from the Gulf. Oil and liquefied natural gas (LNG) are globally traded commodities, and prices are set globally. That will add to the energy cost pressures that European companies have faced since the start of Russia's invasion in Ukraine. Moreover, Europe is much more heavily dependent on the Gulf for refined products such as jet fuel and diesel, having increased its purchases there when it imposed a ban on the import of Russian refined products in 2022.

Europe will also be more concerned than the US or Israel about the impact of chaos in Iran, a country of 90 million people, on migrant flows to Europe. In the absence of an organised opposition capable of managing a smooth political transition, the collapse of the current regime could produce large-scale disorder. During Syria's civil war, almost a third of its pre-war population of 22 million became refugees, most fleeing to neighbouring countries but more than 1 million eventually reaching Europe. An exodus of similar proportions from Iran would intensify political tensions in Europe, while also destabilising Iran's neighbours, including Türkiye. The EU might have to resort again to financing Türkiye and Iran's other neighbours to accommodate refugees and prevent them travelling to Europe.

Apart from any refugee flows, Türkiye will feel the negative effects of a longer conflict. As the world's fifth-most visited country, Türkiye would suffer if nervous tourists stayed away, especially if the war drags

into summer. If the Kurds in Iran rebel, this could destabilise the already fragile Kurdish-Turkish peace process. The Kurdish PKK group in Türkiye has agreed to disband, but Ankara strongly opposes similar Kurdish insurgent movements in its neighbours.

If the war escalates further, and the US decides to mount a land invasion of Iran – which members of the Trump administration have refused to rule out – the consequences for European security would become still more severe. Apart from the diversion of US military and intelligence assets to the Gulf, US weapons and munitions supplies to European NATO allies would be curtailed at just the moment when European forces would need them most.

Finally, the US itself is likely to be among the losers. The Trump administration had already caused serious damage to US soft power in many parts of the world, but had mostly kept on good terms with the Gulf states. Bahrain, Qatar, Saudi Arabia and the UAE all joined Trump's 'Board of Peace'. While none of the Gulf States wanted Iran to develop nuclear weapons, however, it is not clear that any of them wanted this war, nor were prepared for the physical and economic damage it is doing. He has [demanded](#) that NATO countries help to re-open the Strait of Hormuz or NATO will face "a very bad future": this kind of blackmail will further damage relations with Europe, already tense because of his tariff policy, his tilt towards Russia and his threats to seize Greenland. While US oil and gas producers will benefit from high oil and gas prices, the impact on the rest of the economy and on US consumers will be negative. The war itself is also proving costly in direct fiscal terms: the first six days are [estimated](#) to have cost \$11.3 billion.

Mitigation

There are limits to what any of the losers can do to mitigate the short-term damage. Trump may [say](#) that the war will end when he 'feels it in his bones', but the Iranian regime may disagree. So long as Tehran can threaten shipping in the Strait of Hormuz, it will be able to keep inflicting pain on the global economy and in particular on US allies: both the Gulf's oil and gas producers and the energy-importing economies in Europe and the Indo-Pacific.

In the longer term, Europe can best insulate itself against the economic consequences of any conflict in the Gulf by accelerating its energy transition away from fossil fuels. It also needs to step up its efforts to reduce its defence dependency on the US: even if future administrations are not as erratic as Trump's, they may not see Europe as the most important theatre for the US. The current war has also shown that the US is not prepared for a prolonged high-intensity conflict, and that (for the moment) its defence industry would struggle to keep both US and European forces resupplied in a full-scale war. Given the current scale of the Russian threat to Europe, including to Ukraine, Europe needs to invest heavily in increased defence production, and in recruiting more personnel for its armed forces and its defence industries.

Ukraine's best hope of mitigating at least some of the problems caused by the Gulf War may be to leverage its counter-drone technology and operational expertise to help the US and the Gulf states. It has already [sent](#) experts to several countries in the region, presumably both to make sales – which would fund increased domestic production – and to build political capital with a group of countries that have so far tried to avoid taking sides in the war. Every Gulf state except Iran (which voted against) abstained in the UN General Assembly vote on 'Support for lasting peace in Ukraine' on the fourth anniversary of Russia's full-scale invasion.

Conclusion

This war has shown an astonishing lack of planning. The Trump administration seems to have learned nothing from the military successes and political failures of its predecessors' wars in Afghanistan and Iraq. The most likely winners, once the fighting subsides, will be the West's rivals and adversaries, above all Russia and, to a lesser extent, China. The losers will be US partners in the Middle East and Europe, with the possible exception of Israel, and the US itself. If the war ends without regime change in Iran, the Iranian people will continue to suffer both from continued repression and the consequences of US and Israeli attacks.

Although the UK and France are providing some defensive support to their Middle Eastern partners, and to Cyprus, Europeans are wisely trying to avoid getting drawn into the war on Washington's side, as they were in the 'Global War on Terror'. But even if, like [UK prime minister](#) Keir Starmer, they incur Trump's hostility, Europeans need to go further in defending their own security and economic interests. They have little to gain from supporting the US-Israeli war of aggression against Iran. Their responsibility to their voters is to minimise the harm to them from what Trump has described as "a short-term excursion" in Iran, but which is already beginning to look more like a prolonged nightmare.

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