

Maritime Logistics in the Middle East: The Day After

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The major wave of trade internationalization that began after World War II and accelerated further with China's accession to the WTO in 2001 is now reaching a turning point. What once appeared to be irreversible trends – progressive reductions in trade barriers, the development of critical transport infrastructure, and the expansion of the free movement of goods – are now each being called into question.

After 80 years of expansion, recent events have illustrated potential threats to the continuous internationalization of

supply chains. These include shifts in public policy (e.g., U.S. government tariffs, or geopolitical concerns over control of key infrastructure¹), accidents (e.g., the Ever Given's 2021 blockage of the Suez Canal), health crises (e.g., COVID-19), and conflicts (e.g., Israel–Gaza and now Iran).

These shifts carry critical implications for all globalized economies. We focus here on what they may mean for supply chains in the Middle East, particularly maritime ones.



¹Such as ports at the entrance of the Panama Canal
Image Courtesy: ChatGPT Enterprise

Some History: Growth, Infrastructure Development, Increasing Scope and Complexity

The role of GCC countries in global and maritime supply chains has evolved significantly over the past 80 years. Broadly speaking, four broad phases can be distinguished:

EXHIBIT 1

Historical Timeline (1945–2021+)

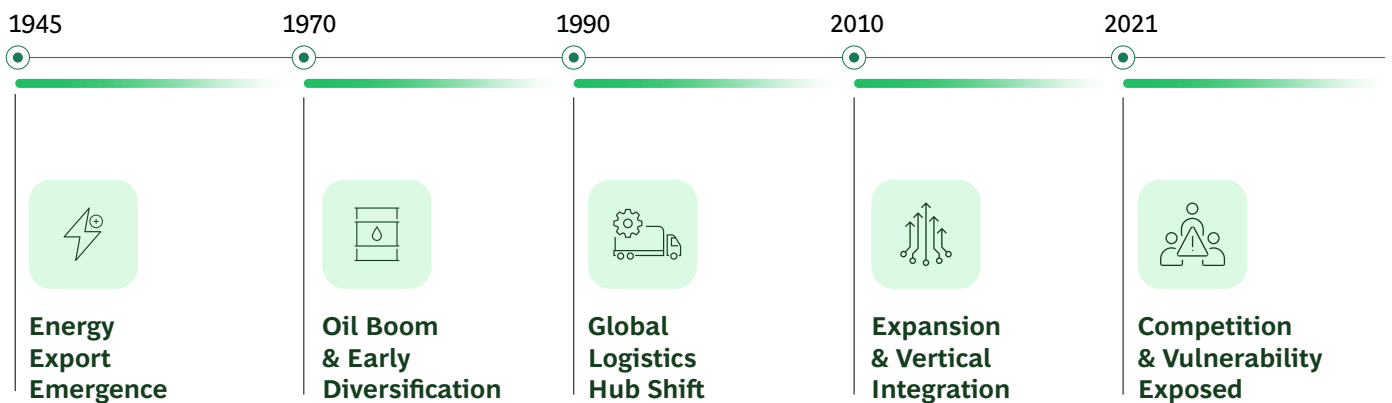


Image Courtesy: ChatGPT Enterprise

1945 – 1970s: the rise of energy exports

During this period, the Gulf emerged as a major exporter of energy to the rest of the world. From a supply chain perspective, this corresponded to the development of oil storage infrastructure, liquid bulk ports and tanker fleets. Supply chains in the Gulf were overwhelmingly export-oriented, and ports were primarily national liquid bulk terminals (Ras Tanura, Mina Al-Ahmadi, etc.). Imports remained very limited, with little to no containerization and a focus mainly on industrial equipment. Early national shipping fleets began to emerge but remained limited in scale.

1970s – 1990s: oil boom and early diversification

The oil shocks triggered a strategic reflection among Gulf countries on the need to diversify their economies. The oil boom was accompanied by the development of large port complexes, focused on liquid bulk (Jubail, Ras Laffan) and the expansion of national shipping fleets (Bahri, KOTC). At the same time, economic growth in the GCC drove a sharp increase in imports, leading to the development of associated infrastructure like dry bulk ports and container terminals. However, these remained significantly less developed than export-oriented infrastructure.

1990s – 2010s: the logistics turning point

This period marks a major turning point in the role of Gulf countries in maritime supply chains. Alongside their growing importance in energy supply chains, Gulf infrastructure emerged as a key hub in global trade flows. Located at the crossroads of East–West and North–South routes, and roughly midway between Asia and Europe, Gulf ports became increasingly central to transshipment activities. This drove the development of integrated logistics ecosystems focused on re-export (e.g., imports from Asia, storage, and sometimes transformation in the Middle East, re-export to other regions). From an infrastructure standpoint, this period saw the rise of major ports in the Arabian Gulf, notably Jebel Ali and Khalifa Port, as well as integrated players such as DP World, AD Ports, and Milaha, combining port operations with adjacent free zones. From a cargo perspective, these developments were accompanied by rapid containerization, impacting both ports and shipping lines (e.g., the development of UASC).

2010s: consolidation and expansion

The 2010s saw a consolidation of the GCC's role within global maritime supply chains. This period was characterized by a rapid expansion of port infrastructure and growing ambitions of regional logistics groups. These players expanded both their geographic footprint (international expansion) and their scope of activities (adding warehousing, freight forwarding, feeding to their historical core – national ports and adjacent freezones). From a cargo perspective in energy, this period saw the rise of LNG alongside traditional oil products. And container traffic continued to grow strongly, driven by both domestic demand and the region's role as a global hub for transshipment and re-exports.



Image Courtesy: ChatGPT Enterprise

Since 2021: Ambition, Competition, and Structural Vulnerability

The 2020s have continued to build upon the ambitions of national champions, particularly their international diversification and vertical integration strategies. The period has also seen the ongoing evolution of the cargo mix, characterized by the growing importance of imports, re-export activities, and containerization.

However, several notable shifts have emerged. Early leaders like Qatar and Dubai are now being challenged by the rising ambitions of other states and emirates, particularly Abu Dhabi and Saudi Arabia. Recent years have also seen the launch of large-scale mega-projects, especially in Saudi Arabia, driving significant demand for infrastructure development and logistics services.

What has truly defined the past five years, however, is a growing awareness of the structural vulnerabilities associated with global supply chains and the increasingly central role of the Middle East.

While the region's importance in global energy policy has been evident since the Second World War, the Gulf's role as an intermediate hub between Asia and Europe may have been somewhat underappreciated. Many European

consumers are aware that many of the goods they consume originate from Asia or the Indian subcontinent, but fewer realize that these goods are often transshipped, sometimes processed, and frequently stored in the Gulf. A sequence of events has brought this reality sharply into focus: the blockage of the Suez Canal in 2021, the COVID-19 crisis (2020–2021), the disruption of Bab el-Mandeb following Houthi attacks (2023–2025), and now the closure of the Strait of Hormuz in 2026. For local economies and logistics players, the impact has been immediate and significant. The Red Sea crisis, in particular, sharply reduced volumes in Saudi ports, which have yet to recover to their original levels. Shipping routes have been reconfigured, with a large share of international traffic rerouted via the Cape of Good Hope to avoid the Red Sea, resulting in longer transit times and higher costs for European importers.

The current Middle East context has significant implications for GCC countries in ensuring the supply continuity of essential goods, as well as for global maritime supply chains.



Image Courtesy: ChatGPT Enterprise

The Current Conflict and Early Learnings

With the Strait of Hormuz effectively closed to most maritime traffic, logistics challenges are gripping the region.

Exports: The severe constraint on petroleum products and LNG exports is depriving Gulf Arab countries of a major source of income: between 25 and 50% of GCC countries' GDP comes from these exports, which also represent 60% to 90% of public revenues. The macroeconomic impacts on these economies are therefore significant.

Imports: GCC countries are heavily impacted by the current conflict, though with significant differences based on their geographic positioning. For example:

- Oman is the only country retaining direct maritime access to the Indian Ocean, with functional infrastructure and shipping companies able to operate under acceptable security conditions (despite some attacks).
- Kuwait and Bahrain are entirely disconnected from global maritime flows, while the UAE and Saudi Arabia are partially cut off. To a greater or lesser extent, these countries are all experiencing profound disruption to

imports for domestic use or commercial transshipment activities.

- Saudi Arabia, whose dual exposure to the Red Sea and Arabian Gulf constitutes a major strategic advantage in this situation, is tempered, however, by capacity constraints in its Red Sea ports, land corridors, and the risk of Bab el-Mandeb closure.

This situation reveals two structural challenges in Gulf supply chains. First is a lack of logistical optionality for both imports and exports. And second is the need to develop closer logistical collaborations between GCC countries and national champions.



Image Courtesy: ChatGPT Enterprise

Strategic Imperatives for “the Day After”

EXHIBIT 2

Enabling Resilient GCC Supply Chains



Optionality

Build flexible, multi-route systems

- Diversify ports and routes
- Expand land & maritime capacity
- Reduce single-node dependency



Connectivity

Enable seamless intermodal flows

- Strengthen road and rail corridors
- Link east–west port systems
- Integrate ports with hinterland



Collaboration

Coordinate across players and countries

- Develop cross-GCC corridors
- Align national champions
- Balance competition & coordination

Logistical optionality

From the expansion of infrastructure to the creation of international maritime champions, GCC countries have established themselves in the global maritime supply chain landscape in record time, achieving a level of success with few historical parallels in the evolution of logistics.

One of the key specificities of the GCC region, however, lies in the fragmentation of sub-markets across Gulf countries. The dependence of the Emirate of Dubai on Jebel Ali Port and JAFZA, of Abu Dhabi on Khalifa Port and KIZAD, of Qatar on Hamad Port, and of Saudi Arabia on Yanbu for liquid bulk or JIP for containers, has been a major driver of the development of these logistics ecosystems. However, it has also created a level of dependency that can prove risky in times of crisis.

The UAE, for instance, now relies on the ports of Khor Fakkan and Fujairah for container imports. These ports remain relatively underdeveloped in terms of capacity and are further constrained by limitations in the UAE’s intermodal system, both road and rail, whether in terms of infrastructure or service providers. The balance between maritime nodes east and west of the Strait of Hormuz will likely need to be reconsidered post-conflict, as will the need to approach supply chains as an integrated system from loading ports to final destinations through Emirati ports, customs clearance processes, and intermodal transport.

For Saudi Arabia, one of the key questions raised first by the Red Sea disruption and now by the current tensions is the balance of activities and infrastructure between its two maritime frontages. Historically, Saudi Arabia’s port system has been far more developed along the Red Sea than on the Arabian Gulf. While this may appear as an advantage when the Strait of Hormuz is disrupted, it makes the country particularly vulnerable to disruptions in the northern Red Sea, whether due to a closure of the Suez Canal or threats to the Bab el-Mandeb Strait. This situation calls for Saudi Arabia, particularly in container logistics, to rethink both the development of port supply chains between its two coasts and the connectivity between these port systems and the hinterland. Dammam is connected to Riyadh by a rail corridor, but volumes remain relatively limited. Jeddah is approaching its capacity limits and is structurally constrained by surrounding urbanization. King Abdullah Port currently functions primarily as a transshipment hub and is served by a limited number of shipping lines, which restricts its role in serving the domestic market. As for NEOM Port, it could play an important role in the north of the country, but it is not yet operationally ready.

For land-constrained countries such as Bahrain and Qatar, logistical optionality can only be achieved through intermodal solutions. The current conflict highlights the importance of road and rail connections with neighboring countries, both for imports (for instance, corridors crossing

Saudi Arabia to access the Red Sea) and for exports (such as pipelines providing access to diversified export ports). For example, the Abu Dhabi–Fujairah pipeline illustrates this optionality well, enabling the UAE to continue exporting crude oil even under current conditions.

Finally, for all Gulf countries, the question will arise of increasing their control over logistics assets beyond ports and free zones by expanding both their land and maritime transportation capabilities (currently largely focused on tanker fleets and small container ships). This challenge highlights the need for these countries to have wide control over the entire range of logistics services to increase logistical optionality.

Collaborations between states and national champions

This logistical optionality cannot, however, be solved alone. GCC countries' geographic positioning means that improving logistical resilience in the region requires the development of shared corridors, whether in the form of pipelines or transport routes. Such trans-GCC corridors have long been envisioned, but under “normal” circumstances, both operational and political challenges have limited their development. In this respect, the current conflict is acting as a powerful accelerator.

Recent weeks have already spurred a remarkable number of initiatives. Regardless of the duration of the current conflict, it will be essential to maintain and strengthen these options, not only to ensure rapid reactivation when needed, but also because clients will increasingly demand them. This situation has brought the “Hormuz risk” (just as the closure of Bab el-Mandeb previously highlighted the “Red Sea risk”) into sharp focus. More importers and exporters will seek the availability of these alternative routes as a way to hedge their exposure.

One example of a potential corridor is the so-called India–Middle East–Europe Economic Corridor (IMEC), whose idea is to connect the Indian subcontinent to Europe via a route that is initially maritime, followed by a crossing of the Middle East by road or rail (Oman or the UAE, Saudi Arabia, Jordan, Israel or potentially Syria/Lebanon), and finally a last maritime leg. Such a corridor would reduce the type of risk we are seeing now by bypassing Hormuz, Bab el-Mandeb, and the Suez Canal. While there are

numerous obstacles to its implementation (including the need for customs agreements between governments, the number of intermodal transshipments, sometimes still-missing infrastructure, and variability in transit times), the current challenges highlight the strategic necessity of such a corridor.

Logistics leaders like AD Ports and DP World are characterized by both international reach and vertical integration across ports, free zones, and logistics activities. They are therefore particularly well positioned to develop these alternative logistics solutions, contributing both to the resilience of their respective countries and to meeting current and future client needs. However, current events raise questions about the balance between competition and collaboration among such actors.

The GCC logistics ecosystem remains fragmented, with national players holding strong positions in their home emirates or countries but often having limited presence across the broader region. This creates coordination challenges in times of crisis, both within and between countries. While competition has likely driven performance, “the day after” will also call for collaboration between these national champions to anticipate crises and develop coordinated corridor solutions. Finally, stepping back, it is worth considering what comes next for supply chains that are not directly tied to Gulf countries.

Reexport and Transshipment in the Gulf

As highlighted earlier, the role of Gulf countries as re-export and transshipment hubs has been a fundamental driver of logistics development in the Middle East since the 1990s. It has significantly contributed to the economic diversification of Gulf economies away from purely energy-related activities.

However, “the day-after” question is framed quite differently for these logistics activities compared to import and export flows. While imports to and exports from the Middle East will inevitably resume – albeit with greater routing optionality, as discussed – re-export and transshipment activities are, at least in theory, more mobile. They can be relocated to other geographies, particularly to the Indian subcontinent.

This shift has been visible since 2023, when the Red Sea disruption led to a partial relocation of transshipment and re-export activities, notably toward the west coast of India and Sri Lanka. One of the key challenges for Gulf logistics players in the post-conflict period will therefore be to ensure that these flows return west of Hormuz, an issue of particular importance for the UAE.

Prudent risk management by shipping lines, logistics providers, and supply chain managers is likely to encourage continued diversification of routes and hubs. The challenge for Gulf countries and their national champions will be to build on their historical strengths – the breadth of their service offering, favorable tax regimes, and strong partnerships with global logistics players – to rapidly

attract these activities back. At the same time, they will need to address some of the weaknesses revealed by the current disruptions.

For instance, reducing the dependence of major free zones on a single adjacent port could be a key lever to encourage clients' swift return, while also ensuring that future maritime disruptions do not expose supply chains to today's risk level. As an example, for UAE freezones (KIZAD, JAFZA), it could mean better connection to east UAE and Omani ports as well as Saudi land corridors.



Image Courtesy: ChatGPT Enterprise

Conclusion

The history of logistics in the Middle East over the past 80 years traces a remarkable trajectory from a region primarily exporting energy to a central node in global maritime supply chains. Few regions have managed, in such a short period of time, to build infrastructure, develop national champions, and position themselves so decisively at the crossroads of global trade. Current disruptions do not invalidate the underlying logic. Geography has not changed: the Gulf remains the natural interface between Asia, Europe, and increasingly Africa. Energy flows will continue, as will imports into the region.

However, the succession of crises since 2020 has revealed a fragility – not of globalization per se, but in the way it has been organized. The Middle East’s rise as a logistics hub has been built on efficiency, concentration, and optimization, often at the expense of redundancy, optionality, and coordination. The closure or disruption of key chokepoints – Suez, Bab el-Mandeb, and now Hormuz – has made visible a set of structural vulnerabilities: heavy reliance on a limited number of ports, insufficient intermodal connectivity, fragmented national ecosystems, and limited cross-border coordination. Perhaps most importantly, it has highlighted that while energy exports are anchored, logistics activities like transshipment and re-export are far more mobile and contestable.

“The day after” cannot be a return to the status quo. It will require a rebalancing of priorities.

- For Gulf countries, the challenge will be twofold. First, to build true logistical optionality – across ports, routes, and modes of transport – so that supply chains can withstand future disruptions. Second, to move beyond fragmented national systems toward greater regional integration, develop cross-border corridors, and foster collaboration between national champions. There is no doubt that the GCC countries, which have a track record of ambitious strategic vision, long-term investment capacity, and execution agility, will rise to this challenge. **UAE** is the only country retaining direct maritime access to

the Indian Ocean, with functional infrastructure and shipping companies able to operate under acceptable security conditions (despite some attacks).

- For logistics players, the imperative will be to combine the strengths that made the region successful – scale, efficiency, and integration – with new capabilities centered on resilience, flexibility, and risk management.
- Finally, for global supply chains, the lesson is broader. The Middle East is an increasingly strategic layer in the ecosystem. As such, its stability, connectivity, and organization will play a defining role in the next phase of globalization.

The 2020s do not mark the end of internationalized supply chains, but rather their transition toward a more complex equilibrium. Efficiency is no longer sufficient, and resilience, optionality, and geopolitical awareness become central. The question is therefore not whether the Middle East will remain a key logistics hub, but under what model – and with what balance between efficiency and resilience – it will operate in the decades to come.

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