

Committee: Economic and Social Council (ECOSOC)

Topic: Promoting industrial diversification in the Middle East

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Position: Deputy President

Dear delegates,

It is my greatest pleasure to welcome you all to the Economic and Social Council (ECOSOC) of the 13th CSMUN. My name is Despoina Fragkia, I am sixteen years old, and I am extremely excited and honoured to be serving as one of your Deputy Presidents. I joined my previous school's MUN club four years ago, and I consider it the best decision I have ever made, as it has allowed me to familiarise myself with diplomacy, politics, and global issues that both our world and smaller communities encounter.

Over the years, I chaired various committees, thus strengthening my experience and my understanding of diverse global challenges. These experiences have thoroughly prepared me to guide you effectively through the complexities of our topic.

The purpose of this study guide is to introduce you to the issue of "Promoting Industrial Diversification in the Middle East." Apart from studying this guide, I would highly encourage you to conduct further research on the topic on your own. Should you have any questions or need clarification, I am more than willing to help. You can contact me via email at despoinainfragkia@gmail.com. For any other questions, please contact the ECOSOC President, Petros Kossonakos, at prkosson@gmail.com.



Topic Introduction

Reducing reliance on oil and gas income by developing diverse industries and economic sectors is mainly favourable for countries, especially when examined from a socioeconomic lens. Nonetheless, there are certain obstacles and possible downsides to take into account. Shifting away from an economy reliant on oil can be complicated and lengthy. It demands considerable initial investment, and certain emerging sectors might not develop as expected or could be susceptible to global market changes. Moreover, employees in conventional oil and gas sectors may encounter job instability and require reskilling, potentially leading to social and economic disturbances. To reduce reliance on oil and gas revenues, Middle Eastern countries should develop a diverse range of industries and economic sectors. This includes investing in digital technologies, manufacturing, tourism, and renewable energy. Increasing trade and economic cooperation, luring in foreign capital, and enacting regulatory changes are important tactics that could be used to achieve this.

Since the start of the pandemic, oil prices in the Middle East have been changing significantly. Demand for oil worldwide fell dramatically due to lockdowns and a considerable reduction in the number of journeys, although producers initially oversupplied the market as they failed to coordinate the production of such products.¹ This resulted in extreme price swings and financial strains on oil-exporting nations.² However, prices rose by about 20% in June 2025 amid geopolitical tensions.³ The International Energy Agency reports global oil demand will grow modestly in 2025, and supply has increased to above 105 million barrels per day.⁴

This shows that, in order to invest in sectors such as industry, agriculture, or services, countries must first increase their production of renewable energy resources, address energy efficiency, and have sufficient storage facilities. In addition to the energy and power sector, the region's strategic location near trade routes connecting Asia, Europe, and Africa can help to boost economic development by

¹ Gharib, Cheima et al. "Impact of COVID-19 pandemic on crude oil prices: Evidence from Econophysics approach." *Resources policy* vol. 74 (2021): 102392. doi:10.1016/j.resourpol.2021.102392

² "Contents." *Surgery* (Oxford), vol. 39, no. 12, 1 Dec. 2021, p. OFC-OFC, pmc.ncbi.nlm.nih.gov/articles/PMC9755898/, [https://doi.org/10.1016/s0263-9319\(21\)00246-5](https://doi.org/10.1016/s0263-9319(21)00246-5).

³ Reuters Staff. "World Markets on Oil Watch as Middle East Tensions Flare." Reuters, 20 June 2025, www.reuters.com/business/energy/global-markets-oil-graphic-2025-06-20/.

⁴ June. "Oil Market Report - June 2025 - Analysis - IEA." IEA, 17 June 2025, www.iea.org/reports/oil-market-report-june-2025.



investing in transportation and logistics, as well as other infrastructure developments like ports, roads, and airports. This could establish the region as a major hub for logistics and transportation.

Definition of key concepts

Economic diversification

Economic diversification is the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets.⁵ Traditionally, it has been applied as a strategy to encourage positive economic growth and development.

Non-oil sectors

The non-oil sector encompasses all economic activities that are not directly related to the extraction, processing, and sale of crude oil and its related products.⁶

Foreign Direct Investment

Foreign direct investment, abbreviated as FDI, is an international investment within the balance of payment accounts.⁷ Practically, this means that a resident entity in one economy seeks to obtain a lasting interest in an enterprise resident in another economy.⁸

⁵ UNFCCC. “Economic Diversification | UNFCCC.” Unfccc.int, 2017, unfccc.int/topics/resilience/resources/economic-diversification.

⁶ Mary, Subomi. “The Impact of Oil and Non-Oil Revenue on the Economy of Nigeria - IProject Download.” IProject Download, 16 Feb. 2024, www.iprojectdownload.com/the-impact-of-oil-and-non-oil-revenue-on-the-economy-of-nigeria/.

⁷ “Glossary:Foreign Direct Investment (FDI) - Statistics Explained.” Ec.europa.eu, [ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_direct_investment_\(FDI\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_direct_investment_(FDI)).

⁸ “Glossary:Foreign Direct Investment (FDI) - Statistics Explained.” Ec.europa.eu, [ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_direct_investment_\(FDI\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_direct_investment_(FDI)).



Infrastructure development

The process of creating and improving physical and organisational structures, such as ports, roads, and logistics systems, to support economic activities.⁹

Strategic Location

A strategic location is a place that offers significant advantages for a specific purpose, often related to military, political, or economic goals.¹⁰ It can refer to a geographical position that provides benefits like access to resources, trade routes, or defensibility.¹¹

Background Information

Historical Background

A major geographic shift in the global energy landscape was marked by the discovery of oil in the Middle East. With developing countries pursuing industrial expansion and established economies depending significantly on oil, the area became a vital supplier of petroleum.¹² As of 2024, approximately 48% of the planet's confirmed oil reserves are found in the Middle East.¹³ While certain perspectives express worries regarding oil depletion, present information shows sufficient reserves, with no anticipated shortage in the near future.¹⁴

⁹ "What Is Infrastructure Development | IGI Global." Igi-Global.com, 2024, www.igi-global.com/dictionary/port-efficiency-and-infrastructure-development/59129.

¹⁰ Definition of Strategic Location." Collinsdictionary.com, HarperCollins Publishers Ltd, 10 Jan. 2025, www.collinsdictionary.com/dictionary/english/strategic-location.

¹¹ Definition of Strategic Location." Collinsdictionary.com, HarperCollins Publishers Ltd, 10 Jan. 2025, www.collinsdictionary.com/dictionary/english/strategic-location.

¹² "Oil and Gas Middle East: A Thriving Powerhouse in the Global Power Market." GET Global Group, 25 Sept. 2024, getglobalgroup.com/oil-and-gas-middle-east/.

¹³ "Oil and Gas Middle East: A Thriving Powerhouse in the Global Power Market." GET Global Group, 25 Sept. 2024, getglobalgroup.com/oil-and-gas-middle-east/.

¹⁴ For Processor, Ma. DEVELOPMENT of OIL in the MIDDLE EAST APPROVED



With little in the way of infrastructure, large-scale production and industrialisation did not develop successfully until after WWII in parts of the Middle East.¹⁵ By 1945, most of the area still lacked basic water, sanitation and transport systems, and development was held back.¹⁶

The increase in oil demand after the war enabled several Middle Eastern nations to finance contemporary infrastructure initiatives. Numerous engineering projects in the 1950s and 1960s, primarily directed by British engineers, enhanced transportation, water, and sewage systems, reshaping urban development and elevating living standards in nations such as Kuwait, Iran, Iraq, and Saudi Arabia.¹⁷ After World War II, the surge of petrodollars in OPEC countries drove swift industrial development and infrastructure growth.¹⁸ The nationalisation of oil resources provided these nations with autonomous control, enabling them to execute five-year development strategies aimed at diversifying their economies.¹⁹

¹⁵ Shafiee, Katayoun. "Oil Industrialization in the Middle East." Oxford Research Encyclopedia of Asian History. May 26, 2021. Oxford University Press. Date of access 16 Jul. 2025, <https://oxfordre.com/asianhistory/view/10.1093/acrefore/9780190277727.001.0001/acrefore-9780190277727-e-488>

¹⁶ Shafiee, Katayoun. "Oil Industrialization in the Middle East." Oxford Research Encyclopedia of Asian History. May 26, 2021. Oxford University Press. Date of access 16 Jul. 2025, <https://oxfordre.com/asianhistory/view/10.1093/acrefore/9780190277727.001.0001/acrefore-9780190277727-e-488>

¹⁷ Shafiee, Katayoun. "Oil Industrialization in the Middle East." Oxford Research Encyclopedia of Asian History. May 26, 2021. Oxford University Press. Date of access 16 Jul. 2025, <https://oxfordre.com/asianhistory/view/10.1093/acrefore/9780190277727.001.0001/acrefore-9780190277727-e-488>

¹⁸ ICE. "Oil Development in the Middle East." Institution of Civil Engineers (ICE), 2018, www.ice.org.uk/what-is-civil-engineering/infrastructure-projects/oil-development-in-the-middle-east.

¹⁹ ICE. "Oil Development in the Middle East." Institution of Civil Engineers (ICE), 2018, www.ice.org.uk/what-is-civil-engineering/infrastructure-projects/oil-development-in-the-middle-east.



Industrial Innovation and Workforce Development in the Gulf Cooperation Council (GCC)

Business leaders in the GCC region stress that fostering industrial innovation is essential for enhancing economic diversification initiatives.²⁰ They promote enhanced assistance for the manufacturing, exporting, and logistics industries, which are essential for developing knowledge-driven, resilient economies that can flourish without relying on oil.²¹

Alexandre Raffoul from the World Economic Forum remarks that industrialisation promotes economic diversification through enhanced productivity and the establishment of sustainable economic frameworks.²² This is part of a broader attempt throughout the Gulf to foster more resilient, knowledge-based economies that will reduce reliance on oil in the region. In order to achieve this, the GCC strategy advises the region to have a strong focus on industrial capabilities, where the region is naturally competitive through low energy costs, established infrastructure and integrated regional demand.²³ New initiatives encouraging foreign investment, technology, and innovation have resulted in growth within non-oil industries, which increased by 3.7% in 2024.

Additionally, the area gains from a “friendshoring” approach, drawing in businesses aiming for secure and neutral sites equipped with top-notch infrastructure. These advancements, bolstered by focused investments and talent enhancement programs, facilitate the GCC’s shift toward more varied and

²⁰ “Industrialisation Is Key to GCC Economic Diversification.” World Economic Forum, Alexandre Raffoul Head, Global Partner Dev. & Regional Business Strategy; Member, Exec. Committee, World Economic Forum, 28 June 2021, www.weforum.org/stories/2021/06/how-business-leaders-are-encouraging-diversification-of-mena-s-gulf-economies/

²¹ 3 “Industrialisation Is Key to GCC Economic Diversification.” World Economic Forum, Alexandre Raffoul Head, Global Partner Dev. & Regional Business Strategy; Member, Exec. Committee, World Economic Forum, 28 June 2021, www.weforum.org/stories/2021/06/how-business-leaders-are-encouraging-diversification-of-mena-s-gulf-economies/

²² Raffoul, Alexandre, et al. “Industrialisation Is Key to GCC Economic Diversification.” World Economic Forum, 28 June 2021, www.weforum.org/stories/2021/06/how-business-leaders-are-encouraging-diversification-of-mena-s-gulf-economies/.

²³ Raffoul, Alexandre, et al. “Industrialisation Is Key to GCC Economic Diversification.” World Economic Forum, 28 June 2021, www.weforum.org/stories/2021/06/how-business-leaders-are-encouraging-diversification-of-mena-s-gulf-economies/



robust economies, decreasing dependence on oil income while promoting sustainable long-term development.

Key Aspects of Industrial Diversification

Reducing Reliance on Oil and Promoting Non-Oil Sectors

In order to adapt to the evolving global energy landscape, Middle Eastern countries prioritise economic diversification, renewable energy, and regional collaboration due to the urgent need for transformation. Nations are investing in sectors like tourism, technology, and finance to build a more sustainable economic base and reduce reliance on oil.²⁴ For example, Saudi Arabia's Vision 2030 establishes ambitious objectives for diversifying the economy beyond oil, which includes significant investments in projects like NEOM, a proposed smart city designed to serve as a centre for innovation and commerce.²⁵ Moreover, taking advantage of the region's ideal conditions for solar and wind power, the UAE's solar farm and Saudi Arabia's 2.6 GW Al Shuaibah solar facility are projected to commence operations in 2025. These efforts are intended not only to lower carbon emissions but also to establish the Middle East as a frontrunner in the global shift towards renewable energy.²⁶

In addition to the energy and power sector, the area's closeness and strategic position on trade routes connecting Asia, Europe, and Africa can enhance economic growth by investing in logistics, transportation, and other infrastructure projects like ports, roads, and airports, potentially establishing the region as a major logistics and transport hub. The healthcare industry provides another option for investments. A decline in life expectancy²⁷ along with the rise of chronic diseases

²⁴ The Energy Transition in the Middle East: Navigating through Change. www.law.georgetown.edu/environmental-law-review/blog/the-energy-transition-in-the-middle-east-navigating-through-change/

²⁵ "Case Study: NEOM - Catalyst for Progress and Its Economic Impact on the Kingdom." Misk Foundation, 2017, hub.misk.org.sa/insights/saudistories/2023/case-study-neom-catalyst-for-progress-and-its-economic-impact-on-the-kingdom/?allowview=true.

²⁶ The Energy Transition in the Middle East: Navigating through Change. www.law.georgetown.edu/environmental-law-review/blog/the-energy-transition-in-the-middle-east-navigating-through-change/

²⁷ "Global Life Expectancy Declines for First Time in 30 Years | Think Global Health." Council on Foreign Relations, 11 Mar. 2024, www.thinkglobalhealth.org/article/global-life-expectancy-declines-first-time-30-years.



²⁸ imposes a significant strain on the healthcare sector, necessitating greater government expenditure to maintain public health.²⁹

Attracting Foreign Direct Investment (FDI)

The GCC countries - that consist of the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Bahrain, and Oman - pursue economic diversification through various strategies.³⁰ One of such is actively driving foreign direct investment (FDI) as a major source of growth. Those countries are setting local investment as the main priority rather than foreign investment to reduce dependence on oil and gas revenue.³¹ FDI is indispensable to the region's growth, especially in non-oil sectors, as it provides money, technology, and human resources. The report titled 2024 EY GCC Attractiveness Survey shows that the UAE and Saudi Arabia have been on the front line of the FDI inflows, which have been rising steadily.³²

To attract even more international companies and investors, governments have created policies such as economic free zones, which are places designated with tax exemptions and reduced customs laws, and regulatory reforms that permit complete foreign ownership and streamline company licensing.³³ Projects such as the Dubai International Financial Centre illustrate the region's dedication to

²⁸ UN News. "Chronic Diseases Taking "Immense and Increasing Toll on Lives", Warns WHO | UN News." News.un.org, 19 May 2023, news.un.org/en/story/2023/05/1136832.

²⁹ Sharma, Raagini. "Diversification from Oil to Other Industries in Middle East." Diplomatist, 5 June 2021, diplomatist.com/2021/06/05/diversification-from-oil-to-other-industries-in-middle-east/.

³⁰ MENA, et al. "How the GCC Is Leveraging Foreign Direct Investment to Boost Regional Confidence." Ey.com, 2025, www.ey.com/en_pk/attractiveness/how-the-gcc-is-leveraging-foreign-direct-investment-to-boost-regional-confidence.

³¹ MENA, et al. "How the GCC Is Leveraging Foreign Direct Investment to Boost Regional Confidence." Ey.com, 2025, www.ey.com/en_pk/attractiveness/how-the-gcc-is-leveraging-foreign-direct-investment-to-boost-regional-confidence.

³² MENA, et al. "How the GCC Is Leveraging Foreign Direct Investment to Boost Regional Confidence." Ey.com, 2025, www.ey.com/en_pk/attractiveness/how-the-gcc-is-leveraging-foreign-direct-investment-to-boost-regional-confidence.

³³ World Bank. "Economic Diversification Efforts Paying off in GCC Region but More Reforms Needed." World Bank, 22 Nov. 2023, www.worldbank.org/en/news/press-release/2023/11/22/economic-diversification-efforts-paying-off-in-gcc-region-but-more-reforms-needed.



diversification.³⁴ Investment in skill enhancement and infrastructure increases the GCC's attractiveness as a reliable and strategic business centre.³⁵

Challenges and Obstacles

Dependence on Foreign Labour and Human Capital Development

A primary issue facing numerous GCC and other Middle Eastern nations is their significant dependence on foreign labour, which hinders the growth of a skilled, local workforce essential for lasting industrial diversification.³⁶ This reliance restricts the transfer of knowledge and obstructs the development of local talent crucial for fostering innovation and competitiveness.³⁷ Alongside this is the fragility in research and development (R&D) environments, where government-backed programs frequently lack substantial cooperation between universities and businesses.³⁸ The lack of robust partnerships diminishes the impact of innovation, thereby hindering industrial advancement and diversification.³⁹

Regulatory and Political Economy Barriers to Private Sector Growth

Numerous member states experience considerable over-regulation and a political economy influenced by clientelism and established social contracts that hinder private sector growth.⁴⁰ Overregulation hampers entrepreneurial vigour and hinders organic business expansion,

³⁴ Varghese, Justin. "Diversification, Reforms Enhance Investment Appeal of GCC Nations." Gulf News: Latest UAE News, Dubai News, Business, Travel News, Dubai Gold Rate, Prayer Time, Cinema, 30 Apr. 2025, gulfnews.com/business/markets/diversification-reforms-enhance-investment-appeal-of-gcc-nations-1.500111546.

³⁵ Varghese, Justin. "Diversification, Reforms Enhance Investment Appeal of GCC Nations." Gulf News: Latest UAE News, Dubai News, Business, Travel News, Dubai Gold Rate, Prayer Time, Cinema, 30 Apr. 2025, gulfnews.com/business/markets/diversification-reforms-enhance-investment-appeal-of-gcc-nations-1.500111546.

³⁶ Nair, Rajiv, et al. Innovation for Economic Diversification, Arthur D. Little, www.adlittle.com/sites/default/files/prism/ADL_Innovation_for_economic_diversification.pdf.

³⁷ Nair, Rajiv, et al. Innovation for Economic Diversification, Arthur D. Little, www.adlittle.com/sites/default/files/prism/ADL_Innovation_for_economic_diversification.pdf.

³⁸ Nair, Rajiv, et al. Innovation for Economic Diversification, Arthur D. Little, www.adlittle.com/sites/default/files/prism/ADL_Innovation_for_economic_diversification.pdf.

³⁹ Nair, Rajiv, et al. Innovation for Economic Diversification, Arthur D. Little, www.adlittle.com/sites/default/files/prism/ADL_Innovation_for_economic_diversification.pdf.

⁴⁰ Staff of the International Monetary Fund. "Economic Diversification in Oil-Exporting Arab Countries." International Monetary Fund, Annual Meeting of Arab Ministers of Finance, Apr. 2016, www.imf.org/external/np/pp/eng/2016/042916.pdf.



complicating efforts to develop a competitive, market-oriented industrial foundation.⁴¹ Moreover, existing incentive frameworks often prefer non-export sectors or public expenditure, instead of promoting export-driven industries and enhancing private sector competitiveness.⁴² These interconnected political and regulatory hurdles generate a situation in which economic diversification encounters structural obstacles.⁴³

Economic Volatility and Regional Instability

Efforts for economic diversification in the Middle East face external uncertainties, particularly the fluctuating oil prices that directly affect government income and economic stability.⁴⁴ This unpredictability makes long-term planning and investment in varied sectors more challenging. Moreover, persistent regional conflicts and political turmoil present significant threats by discouraging both foreign and local investment, interrupting supply chains, and eroding trust in economic reforms.⁴⁵ These elements together produce an uncertain economic landscape that impedes diversification benefits and increases vulnerabilities.⁴⁶

Major Countries, Organisations and Alliances

Saudi Arabia

Saudi Arabia's Vision 2030 is an extensive reform plan initiated in 2016 aimed at reshaping the country's economy by decreasing its reliance on oil.⁴⁷ The approach emphasises building a lively

⁴¹ Staff of the International Monetary Fund. "Economic Diversification in Oil-Exporting Arab Countries." International Monetary Fund, Annual Meeting of Arab Ministers of Finance, Apr. 2016, www.imf.org/external/np/pp/eng/2016/042916.pdf.

⁴² Staff of the International Monetary Fund. "Economic Diversification in Oil-Exporting Arab Countries." International Monetary Fund, Annual Meeting of Arab Ministers of Finance, Apr. 2016, www.imf.org/external/np/pp/eng/2016/042916.pdf.

⁴³ Staff of the International Monetary Fund. "Economic Diversification in Oil-Exporting Arab Countries." International Monetary Fund, Annual Meeting of Arab Ministers of Finance, Apr. 2016, www.imf.org/external/np/pp/eng/2016/042916.pdf.

⁴⁴ Matallah, Siham. "Economic Diversification and Governance Challenges In ..." Economic Research Forum, June 2020, erf.org.eg/app/uploads/2020/09/1600076283_567_1511280_211sihammatallah.pdf.

⁴⁵ Matallah, Siham. "Economic Diversification and Governance Challenges In ..." Economic Research Forum, June 2020, erf.org.eg/app/uploads/2020/09/1600076283_567_1511280_211sihammatallah.pdf.

⁴⁶ Matallah, Siham. "Economic Diversification and Governance Challenges In ..." Economic Research Forum, June 2020, erf.org.eg/app/uploads/2020/09/1600076283_567_1511280_211sihammatallah.pdf.

⁴⁷ Schulte, Alexander. "Saudi Arabia's Vision 2030 Program Explained - Centuro Global." Centuro Global, 17 May 2024, www.centuroglobal.com/article/saudi-arabia-vision-2030/.



community, a flourishing economy, and an aspiring country, with specific growth in manufacturing, entertainment, healthcare, tourism, and renewable energy industries.⁴⁸ Vision 2030 seeks to reduce oil's GDP contribution from 45% to 30% by 2030, while enhancing non-oil sectors like technology and tourism.⁴⁹ Ambitious endeavours such as the NEOM megacity and the Red Sea tourism project illustrate the pursuit of innovation and sustainable progress.⁵⁰ The initiative also aims to improve life quality, boost life expectancy, and promote cultural participation, indicating a move toward a more balanced and varied economy. Nevertheless, obstacles persist, such as regulatory changes, digital inclusion in rural areas, and the future fluctuations of oil revenues, which need to be tackled to completely achieve the aims of Vision 2030.⁵¹

United Arab Emirates (UAE)

The UAE's diversification approach was successful as it reduced reliance on oil by heavily investing in tourism, technology, and renewable energy sectors, which now play a major role in its GDP.⁵² Dubai and Abu Dhabi have transformed into global centres for finance, tourism, and trade.⁵³ Dubai, in particular, is known for its world-class infrastructure, luxury tourism, and international business environment.⁵⁴ The UAE's efforts have been largely successful. Non-oil sectors now contribute over 70% of GDP.

The UAE has made significant investments in clean energy initiatives, particularly via Masdar City,⁵⁵ solar power plants, and global renewable collaborations. These initiatives showcase the UAE's dedication to sustainability and diversification. Additionally, in 2020, the UAE enacted legislation

⁴⁸ Schulte, Alexander. "Saudi Arabia's Vision 2030 Program Explained - Centuro Global." Centuro Global, 17 May 2024, www.centuroglobal.com/article/saudi-arabia-vision-2030/.

⁴⁹ Schulte, Alexander. "Saudi Arabia's Vision 2030 Program Explained - Centuro Global." Centuro Global, 17 May 2024, www.centuroglobal.com/article/saudi-arabia-vision-2030/.

⁵⁰ Schulte, Alexander. "Saudi Arabia's Vision 2030 Program Explained - Centuro Global." Centuro Global, 17 May 2024, www.centuroglobal.com/article/saudi-arabia-vision-2030/.

⁵¹ Naftalin, Brigitte. "What Is Saudi Vision 2030 and How Will It Impact Procurement? | Ivalua." Ivalua, 7 Apr. 2025, www.ivalua.com/blog/what-is-saudi-vision-2030-and-how-will-it-impact-procurement/.

⁵² Ministry of Foreign Affairs." Wwww.mofa.gov.ae, 2024, www.mofa.gov.ae/en/Missions/Paris/The-UAE/UAE-Economy

⁵³ Ministry of Foreign Affairs." Wwww.mofa.gov.ae, 2024, www.mofa.gov.ae/en/Missions/Paris/The-UAE/UAE-Economy

⁵⁴ Ministry of Foreign Affairs." Wwww.mofa.gov.ae, 2024, www.mofa.gov.ae/en/Missions/Paris/The-UAE/UAE-Economy

⁵⁵ "The Benefits of Diversifying Your Investments in the Middle East." Home, Holborn Assets, 26 Nov. 2024, holbornassets.sa/blog/the-benefits-of-diversifying-your-investments-in-the-middle-east/



allowing complete foreign ownership⁵⁶ of onshore companies across most industries, establishing it as one of the region's most accessible economies. This change greatly enhanced the UAE's appeal to international investors. The implementation process has been seamless, though adoption differs across sectors.

The government's progressive policies nurture innovation ecosystems, draw foreign direct investment, and encourage sustainability, establishing the UAE as a regional leader in diversified economic resilience. The nation's swift reaction to global energy shifts and emphasis on technology-oriented sectors showcases a well-rounded and efficient strategy for diminishing oil dependence while sustaining vibrant growth in high-potential fields.

Bahrain

Launched in April 2023, Bahrain's Golden Licence program is a targeted investment-attraction tool that grants large-scale projects that invest at least 50 million USD or generate more than 500 local jobs priority access to land, simplified permitting and licensing, and customised support.⁵⁷ This initiative attracted nine large projects with a total of 2.4 billion USD in planned investment, which is estimated to generate 3,000 new employment opportunities.⁵⁸ A \$200 million titanium production facility is one of the major projects that was handed over to Interlink Metals & Chemicals, a Swiss company, to execute.⁵⁹ The facility will directly increase Bahrain's industrial manufacturing capacity.⁶⁰

By converting targeted foreign direct investment into local manufacturing, data centre, financial-service, and tourism projects, the Golden Licence functions as a compressed,

⁵⁶ "UAE Decree Law FAQ." Taylorwessing.com, Taylor Wessing, 16 Feb. 2021, www.taylorwessing.com/en/insights-and-events/insights/2021/02/faq-on-significant-amendments-to-provisions-of-federal-law-no2

⁵⁷ AlSaeed, Nada. "How Gulf Countries' Golden Schemes Are Paving the Way to a Sustainable Future." World Economic Forum, 16 Apr. 2025, www.weforum.org/stories/2025/04/gulf-countries-golden-schemes/.

⁵⁸ "Bahrain News Agency." Www.bna.bh, 2025, www.bna.bh/en/BahrainGoldenLicenseattracts2.4bninvestment.aspx?cms=q8FmFJgiscL2fwIzON1%2BDmdqMCNLH5I3GCdirwaOqsc%3D.

⁵⁹ Ministry of Foreign Affairs." Www.mofa.gov.ae, 2024, www.mofa.gov.ae/en/Missions/Paris/The-UAE/UAE-Economy

⁶⁰ Ministry of Foreign Affairs." Www.mofa.gov.ae, 2024, www.mofa.gov.ae/en/Missions/Paris/The-UAE/UAE-Economy



single-destination value proposition that the Bahrain Economic Development Board and industry partners tap to accelerate industrial diversification.⁶¹

Previous attempts to solve the issue

Oman's Tanweea Initiative

Oman's Tanweea Programme is a strategic effort aimed at speeding up the Omani government's Vision 2040 objectives by lessening reliance on oil income and encouraging economic diversification.⁶² The initiative aims to boost investment in areas such as tourism, logistics, manufacturing, and renewable energy to expand the economic foundation and create job opportunities for Omani citizens.⁶³ Tanweea seeks to reduce oil market fluctuations and accelerate socioeconomic progress by promoting private sector expansion and public-private collaborations.⁶⁴ This initiative is crucial to Oman's sustainable development goals, acting as a driver for economic change and resilience by focusing on inclusive growth in harmony with global sustainability movements.⁶⁵

Qatar's Attempts at Industrial Diversification

The purpose of Qatar's industrial diversification policy mentioned in the National Vision 2030 of the country, is to revolutionize the economy by reducing dependence on hydrocarbons, promoting innovation, and building competitive industries outside of energy.⁶⁶ Additionally, the launch of Qatar

⁶¹ Ministry of Foreign Affairs." [Www.mofa.gov.ae](http://www.mofa.gov.ae), 2024, www.mofa.gov.ae/en/Missions/Paris/The-UAE/UAE-Economy

⁶² 10 y KPMG experts in Government and Public Services (G&PS), et al. "Unlocking Diversification in the GCC States."

<https://www.worldgovernmentssummit.org/2024>

⁶³ 10 y KPMG experts in Government and Public Services (G&PS), et al. "Unlocking Diversification in the GCC States."

<https://www.worldgovernmentssummit.org/2024>

⁶⁴ 10 y KPMG experts in Government and Public Services (G&PS), et al. "Unlocking Diversification in the GCC States."

<https://www.worldgovernmentssummit.org/2024>

⁶⁵ 10 y KPMG experts in Government and Public Services (G&PS), et al. "Unlocking Diversification in the GCC States."

<https://www.worldgovernmentssummit.org/2024>

⁶⁶ GCO. "Qatar National Vision 2030." Government Communications Office, 22 Aug. 2024, www.gco.gov.qa/en/state-of-qatar/qatar-national-vision-2030/our-story/.



Free Zones, which are specialised economic clusters that give 100% foreign ownership, tax exemptions, and the infrastructure that is specially designed and located near Hamad Port and Hamad International Airport, is very important to this strategy because it enables high-value industries such as manufacturing, logistics, and technology to grow rapidly.⁶⁷ The Qatar Investment Authority has also made acquisitions worldwide, such as a \$180 million stake in TechMet⁶⁸, to secure minerals for renewable energy technologies. This has allowed Qatar to directly connect its foreign investments to its long-term goals for industrial and technological growth.⁶⁹

Possible solutions

Reducing Trade Barriers

Removing trade barriers through participation in the World Trade Organisation (WTO) will allow member states to eliminate tariffs and simplify customs procedures. Automation of customs clearance systems and digital customs processing are techniques that could be implemented to significantly save costs for trade and reduce processing time. However, this could still be problematic as some non-tariff barriers (NTBs) such as licensing quotas, standard compliance, and limited re-exporting can still create problems for heavily regulated industries like pharmaceuticals and food.⁷⁰

Investing in Key Sectors

Renewable Energy

In order to diversify energy production and reduce reliance on fossil fuels, investment in other renewable energy sources, such as solar and wind energy, should be encouraged.⁷¹ According to a

⁶⁷ "Why QFZ? - Qatar Free Zones." Qatar Free Zones, 5 May 2025, qfz.gov.qa/why_qfz/.

⁶⁸ "TechMet." S2G Investments, 16 Oct. 2023, www.s2ginvestments.com/companies/techmet.

⁶⁹ "FinancialTimes." @FinancialTimes, 2018, www.ft.com/content/7f07d21b-310e-413b-a4b4-5d9be274ea28

⁷⁰ "Trade Policy Review: United Arab Emirates." Wto.org, Mar. 2024, www.wto.org/english/tratop_e/tpr_e/tp523_e.htm.

⁷¹ Lee, Sarah. "Securing Energy in the Middle East." Numberanalytics.com, 2025, www.numberanalytics.com/blog/securing-energy-middle-east-conglomerates.



report by IRENA titled Renewable Energy Markets: GCC 2023, published December 2023, by the International Renewable Energy Agency (IRENA)⁷², in the Gulf Cooperation Council (GCC) region, the most efficient solution is solar photovoltaic cells (PV). Moreover, regarding economic diversification potential, the report points out that GCC countries can not only harness their abundant solar and wind resources but also they can effectively mitigate climate change while simultaneously diversifying their economies, promoting new industries, innovation, and job opportunities.⁷³

Technology

By promoting investment in infrastructure, education, and innovation hubs, the growth of the technology sector can be effectively supported. When nations combine human-capital policies with the right digital foundations, the digital sector thrives, creating jobs and positive spillovers. This can be achieved by, firstly, enhancing connectivity infrastructure by upgrading last-mile fibre and 5G while keeping spectrum both affordable and technology-neutral. Additionally, allowing infrastructure sharing can significantly contribute to cutting costs, which in turn makes it easier and cheaper for private firms to expand digital networks. This can also be achieved by investing in data infrastructure through building or expanding Internet Exchange Points (IXPs), connecting data centres, and increasing cloud availability. However, to attract major content and cloud providers while, at the same time, improving quality and lowering costs, regional rules that protect data and demand aggregation, which encourage providers to invest locally by seeing enough business, should also be implemented.⁷⁴

⁷² Press Releases. “New Report Highlights Renewables as Climate Mitigation and Economic Diversification Opportunity for Gulf Countries.” www.irena.org, 6 Dec. 2023, www.irena.org/News/pressreleases/2023/Dec/Renewables-as-Climate-Mitigation-and-Economic-Diversification-Opportunity-for-GCC.

⁷³ Press Releases. “New Report Highlights Renewables as Climate Mitigation and Economic Diversification Opportunity for Gulf Countries.” www.irena.org, 6 Dec. 2023, www.irena.org/News/pressreleases/2023/Dec/Renewables-as-Climate-Mitigation-and-Economic-Diversification-Opportunity-for-GCC.

⁷⁴ The World Bank’s Digital Progress and Trends Report 2023.” The World Bank Open Knowledge Repository, 2024, openknowledge.worldbank.org/server/api/core/bitstreams/8b5d74e4-e98a-4f01-ad30-74036a836f65/content



Tourism

A key to promoting industrial diversification in the Middle East is the promotion of sustainable tourism initiatives and the development of tourism infrastructure. When countries invest in tourism, infrastructure and sustainable practices, jobs, and non-oil exports can be significantly scaled. For example, major events such as Expo Dubai, FIFA World Cup, along with active steps toward a unified GCC tourist visa, have resulted in the Middle East having approximately 95 million international arrivals in 2024, according to the UN Tourism report.⁷⁵ Therefore, airports should be upgraded, seamless e-visa systems should be provided, and the unified GCC visa should be further supported to enable multi-stop itineraries. Additionally, the Tourist Rights and Crisis Protocols (ICPT) should be effectively applied in order to improve the quality of service in tourist areas. Moreover, by implementing the Measuring the Sustainability of Tourism (MST) statistical framework, destinations will be able to monitor the environment, economy, and communities, thus allowing nations to make accommodations greener, protect historic sites, and preserve natural areas while still welcoming tourists.⁷⁶

⁷⁵ Item 4 of the Provisional Agenda Report of the UN Tourism Regional Director for the Middle East Implementation of the Programme of Work in the Middle East 2024-2025 (Regional and Technical Activities). UN Tourism Regional Commission for the Middle East, 15 Feb. 2025.

⁷⁶ Item 4 of the Provisional Agenda Report of the UN Tourism Regional Director for the Middle East Implementation of the Programme of Work in the Middle East 2024-2025 (Regional and Technical Activities). UN Tourism Regional Commission for the Middle East, 15 Feb. 2025.



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