

Once barren desert landscapes sustained by no more than modest fishing communities, the Gulf States have undergone one of the most rapid and striking economic transformations in modern history. The discovery of vast oil reserves in the 20th century turned countries like Saudi Arabia, the United Arab Emirates, and Qatar into global powerhouses, driving extraordinary growth, futuristic skylines and expansive sovereign wealth funds. Today, the region stands as a symbol of ambition and reinvention, with ambitious diversification plans aiming to reduce dependence on its natural resources. Yet in a world of economic uncertainty that is towards sustainability, one key question stands: where are the Gulf economies headed next?

The discovery of oil in the Gulf during the 20th century reshaped the region's destiny almost overnight. Bahrain was the first to strike oil in 1932, followed by major discoveries in Saudi Arabia and Kuwait in 1938. What were once small, coastal economies quickly transformed into global energy powerhouses. In Saudi Arabia, for example, oil revenues jumped from just \$7 million in 1938 to over \$22 billion by 1970, fuelling an era of unprecedented development. These revenues funded the construction of modern infrastructure, healthcare and education systems that rivalled those in the West. At the same time, the Gulf's rising importance on the world stage gave its rulers both economic recognition and geopolitical leverage. The result was a new model of state-led capitalism, where oil wealth replaced taxation and helped solidify political control - a dynamic still central to many Gulf economies today.

In recent years, Gulf States have recognised the long-term risks of relying too heavily on oil, and are now investing heavily in diversification. Saudi Arabia's Vision 2030 stands at the centre of this effort - an ambitious plan to expand sectors like tourism, entertainment, technology, and logistics. The Public Investment Fund (PIF), worth over \$700 billion, is driving many of these initiatives, from developing

futuristic cities like NEOM to acquiring stakes in global companies and sports franchises. Meanwhile, the UAE has positioned itself as a hub for finance, AI and green energy. Although progress has been uneven, these strategies reflect a broader attempt to future-proof their economies in anticipation of a post-oil world. The challenge lies not in ambition, but in execution - creating private-sector jobs, attracting talent and sustaining growth beyond state spending.

One of the Gulf's most powerful tools in recent years has been the rise of sovereign wealth funds (SWFs), which have turned oil wealth into global influence. Saudi Arabia's PIF, Abu Dhabi's ADIA and Mubadala and Qatar's Investment Authority (QIA) collectively manage

assets worth well over \$3 trillion. These funds have gone beyond traditional investments, strategically buying into tech, infrastructure, luxury brands, and even sports - from Uber and Lucid Motors to Manchester City and Formula 1. These moves serve dual purposes: securing returns and elevating global visibility. At the same time, SWFs offer a backdoor route to diversification, allowing Gulf economies to earn income from non-oil sectors abroad, while slowly shifting the narrative from oil-rich to opportunity-rich.

Behind the Gulf's rapid growth lies a complex and often overlooked story of demographics and labour. Many Gulf countries rely heavily on foreign workers, with expats making up over 85% of the population in the UAE and Qatar. This labour force has powered construction, services, and domestic work, allowing local citizens to remain concentrated in the public sector. However, high youth unemployment - particularly in Saudi Arabia, where it hovers around 17% - has pushed

governments to rethink this model. Policies like "Saudization" aim to get more nationals into private-sector roles, while also tackling long-standing gender gaps and productivity issues. These shifts are critical for long-term sustainability, but they also require cultural and structural changes that can't happen overnight.

As the world accelerates its shift toward cleaner energy, Gulf States find themselves in a unique and often paradoxical position: they are among the world's largest oil exporters, yet they've also emerged as vocal advocates for sustainability and climate action. The UAE, for instance, hosted COP28 in 2023, highlighting its ambitions to lead on green issues despite its heavy fossil fuel footprint. Across the region, governments are investing in renewable energy projects, including Saudi Arabia's plans to become a global leader in green hydrogen and solar energy through initiatives like NEOM's Oxagon and The Line. The UAE's Masdar City aims to be one of the world's most sustainable urban developments, while Oman and Qatar have launched major wind and solar projects of their own. These efforts signal a clear recognition that long-term prosperity will depend not just on extracting resources from the ground, but on innovating beyond them.

At the same time, Gulf countries are increasingly working to position themselves as cultural and educational hubs, moving beyond their traditional reliance which was on hydrocarbons. Through the development of modern, world-class museums, internationally affiliated universities, and global partnerships, these nations are using soft power to reshape their international image. The Louvre Abu Dhabi, for example, symbolises cultural diplomacy and the UAE's efforts to bridge civilisations. Qatar's Education City, home to branches of top global universities such as Georgetown and Carnegie Mellon, reflects an ambitious vision for

academic excellence. Meanwhile, Saudi Arabia's scholarship schemes, such as the King Abdullah Scholarship Programme, aim to equip a new generation with global skills and perspectives. These efforts are not only intended to attract international talent but also to nurture local capacity, foster creative industries, and build national identities that are globally engaged and culturally grounded. The graphs below serve as an example of how growth from hydrocarbons is playing a decreasingly important role in the development of some Gulf economies.

Another key theme in the region's transformation is the interplay of cooperation and competition among Gulf states. Saudi Arabia, the UAE, and Qatar are each pursuing distinct national visions - such as Vision 2030 and the UAE Centennial 2071 - aimed at economic diversification and global influence. While this creates competition to become the region's leading hub for sectors like tourism, technology, and finance, it has also encouraged collaboration in areas such as renewable energy, logistics, and artificial intelligence. Shared infrastructure projects and strategic alliances point to a growing recognition that regional challenges require joint solutions. Yet, historical rivalries and political tensions persist, making the balance between cooperation and competition delicate. Ultimately, the Gulf's post-oil trajectory will be shaped not only by global forces, but also by the evolving dynamics within the region itself.

The Gulf States find themselves at a turning point. Their journey from quiet coastal outposts to major players in global finance and energy has been nothing short of extraordinary. But as the world gradually moves away from oil, the region's future hinges on its ability to adapt, diversify, and stay ahead in an increasingly competitive global economy. With ambitious plans, deep pockets, and a growing drive for innovation, the Gulf certainly isn't short of potential. The real test, though, lies in whether it can tackle long-standing structural issues and deliver growth that's both sustainable and inclusive — or whether its grand transformation will, for now at least, remain a work in progress.