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Rentierism to Post-Oil Sustainability: Economic Diversification in the GCC and India's Strategic Alignment

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Abstract
The abundance of oil and gas resources aided well in transforming the conservative Gulf countries into mighty chevaliers of the global chessboard. Although, reckoning that oil and gas resources are not infinite, the issue of economic diversification has always spearheaded GCC's economic agendas. Globalization's acceleration of economic neoliberalism, characterized by its power geometry of time-space compression, presents a formidable challenge to the longstanding governmental monopoly over the economic sphere in the Gulf states. In response, Gulf nations are undergoing a transformative shift towards knowledge-based economies, driven by revamped national visions and policy frameworks. The economic diversification agenda aims at adapting to a future that does not spring from the hydrocarbon reserves. At present, the burgeoning investments in sectors such as clean energy, artificial intelligence, aviation, tourism and entertainment signals an exponential surge in diversification efforts. The underlying curiosity to execute a new economic blueprint heralds a profound transition in the geopolitical outlook of West Asia and the foreign policy of the Gulf nations. The shifting state of affairs, calls for a greater convergence of interests between India and the Gulf. Highlighting the core motivations driving the Gulf region's imperative for economic diversification, the paper aims to shed light on the strategic frameworks, challenges and barriers encountered by these countries in pursuit of this goal. Additionally, the paper sheds light on the potential areas of cooperation between India and the Gulf.

Keywords: Gulf states, Neoliberalism, Economic diversification, Knowledge-based economies, Hydrocarbon, Clean energy, Foreign policy, India-Gulf cooperation.

I. Introduction

The Gulf region, possessing around 30% of the world's crude oil and 22% of the global gas reserves, holds undeniable significance and value. Exhibiting a unique archetype of regional homogeneity, the GCC states share cultural, political, geographical and historical similarities. Historically, the Gulf economy prospered through shipping and caravan business with trading routes ranging down the coast of Africa to the Indian subcontinent, East Indies and China. Maritime activities such as pearling and fishing thrived in the Gulf's narrow straits, further enhancing trade gains (Kubursi, 1986). In the nineteenth century, the region began substantial interactions with the West. The discovery of a large oil deposit in Persia (present-day Iran) in 1908 by geologist George Bernard Reynolds marked a pivotal moment. One year later, Burmah oil, a UK based Anglo-Persian oil company, began to develop oil production in Persia, leading to volume production by 1913 (Jonathan, 2014). The 1930s witnessed oil discoveries transforming the six sheikhdoms of the GCC, including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE, into states characterized by growth and high energy consumption (Naimi, 2021).

It was after the end of the second World War that oil production boomed in the region, notably in Iran. During World War II, Britain and the USSR invaded Iran, dethroned Reza Shah and put his son Reza Pahlavi onto the throne. Post war, with the rise of nationalism, the Iranian parliament nationalized the oil industry and established Mohammed Mossadegh as Prime Minister. Later

on Mossadegh was removed in a coup d' état orchestrated by the West (under the UK led "Operation Boot" and the United States led "Operation Ajax "), bringing Reza Pahlavi back to power. Oil production in Iran resumed under the pro-West Pahlavi in power. In 1954, the Anglo-Iranian oil company was renamed as British Petroleum. However, under pressure from the United States, British Petroleum was forced to enter into a consortium of companies based outside the Middle East called as the "Seven Sisters" or the "Consortium of Iran". The consortium controlled around 85% of the global oil reserves until the 1973 oil crisis. Subsequently, oil industries across the Middle East region began nationalizing.

During the naturalization process, initial prices fixed by the Gulf monarchies were low. However, subsequent increase in oil prices led to higher oil revenues and the establishment of autocratic regimes. Oil became the cornerstone of Gulf economic prosperity and the foundation of ruling regimes, necessitating a social contract between GCC rulers and their populations based on the distribution of oil revenues to consolidate popular support for the ruling elites (Naimi, 2021). Despite wealth accumulation, the allocation state model of these rentier Gulf states proved vulnerable to fluctuations in international oil prices, rendering the Gulf economies highly volatile (Hvidt, 2013). For almost half a century, the GCC countries relied solely on hydrocarbon reserves as their primary source of income. Although shifts in the oil prices outrightly impacted the oil based economies, undermining the strength of the established patriarchal systems (Mishrif & Balushi, 2018) Furthermore, large-scale subsidies along with low domestic oil prices fueled local energy consumption to an extent that domestic oil demands started to exert pressure on the oil exports of the GCC, posing a threat to its energy security. In response, the GCC's agenda of diversifying its economy emerged as a panacea to all its economic plights. In the 1970s, amidst high oil prices, Saudi Arabia initiated diversification efforts, followed by the UAE and Kuwait (Hussein, 2020).

II. The GCC's Socio-Economic Features under the "Rentier State Model"

With small populations and abundance of natural reserves the GCC states emerged as some of the wealthiest globally. However, the fiscal sustainability of the conventional socio-economic 'Rentier or Allocation Model' has been brought under scrutiny by policymakers (Hassen, 2019). Unlike other large oil exporting countries like Russia, Canada or the United States, oil extraction in the Gulf has not simply been a subsidiary economic activity but a dominating and unique source of wealth in the region. As Beblawi phrases the aforementioned scenario as the 'Gulf states drama' (Beblawi, 2011).

The highly allocative rentier states indeed offered significant benefits, including free healthcare, education, and public sector job opportunities. However, many of these jobs were created primarily for allocation purposes, lacking specific tasks to accomplish, leading to an inflated public sector (Beblawi, 1987). As the national labor force in GCC states expands significantly, it exposes the traditional model's failure to create sufficient job opportunities, especially for the growing native population. Reliance on migrant labor exacerbates this issue. For instance, in Saudi Arabia, where over half the population is under 25 and expected to increase by 2030, the kingdom would need nearly three times more job opportunities to accommodate this demographic bulge, a task unattainable solely by the public sector.

The Gulf countries produce goods and services such as agricultural products, manufactured goods and business services mainly for domestic consumption. However, domestically produced goods and services proves insufficient to support the 27 million citizens and 29 million expatriates in the region. Most of the GCC countries have weak business environments, resulting in low FDI flows and making it difficult for foreign companies to enter the Gulf markets. From 2015 to 2019, the UAE and Oman stood out as the sole Gulf nations with foreign direct investment (FDI) inflows, as a percentage of GDP, surpassing the global average of 2.5 percent.

Furthermore, long-term downward pressure on oil prices arises from two primary factors. Firstly, the production of alternative oil sources, such as shale oil, is cheaper than conventional sources (Tok et al., 2020). Secondly, global efforts to combat climate change have accelerated the transition from 'black' energy sources to 'greener' alternatives, underscoring the vulnerability of global oil and gas markets (Arezki & Blanchard, 2014). Conflicts like the Russia-Ukraine war have elevated energy security as a top global priority, accelerating efforts to transition to

clean energy sources. Moreover, heavy dependence on oil revenue has resulted in the underutilization and neglect of other productive assets in the region.

Economic activities such as construction and infrastructure development in the Gulf countries are mostly facilitated by revenues from oil and gas reserves. While advances have been made in diversifying sources of government revenue, the hydrocarbon reserves still account for 70 percent or more of total accumulated revenue. Notably over the past few decades the Gulf countries have made considerable progress, with oil and gas production representing 40 percent of global domestic product (GDP) in most countries with the exception of the United Arab Emirates (UAE) (30%) and Bahrain (18%). There has been no dearth of advice from policymakers, international organizations and think tanks on what the Gulf nations can embark upon to diversify their economies. However, these often fall short of addressing the political-economic realities of the governing social contract, which facilitates the transfer of the accumulated hydrocarbon wealth to the citizens (Kabbani & Mimoune, 2021).

III. International Geopolitical Events that impacted the GCC Oil-Economy

The Gulf nations' potential over-reliance on the oil sector has rendered them vulnerable to issues such as budget deficits during oil price drops and inflation during periods of high oil prices. Given the extensive reliance on oil exports for revenue, fluctuations in oil prices have exposed the region to uncertain risks, significantly affecting economic stability. In the 1970s, the region witnessed a major increase in oil prices on account of the Yom Kippur War as members of OPEC imposed an oil embargo on countries backing Israel. Known as the first oil shock, this was followed by an increase in domestic ownership of oil industries, giving rise to capital that served as means for rapid economic development.

During the 1980s, in the wake of the Islamic Revolution (1979) in Iran and the Iran-Iraq war (1980-1988), the Gulf region saw massive oil prices fluctuation. The oil trade accumulated a huge amount of foreign exchange and massive volume of savings but with the regions' exports and savings exceeding the rate of domestic investment and import requirements, the forex reserves did not immediately result in sustained economic growth. With extensive rise in welfare programmes and improvement in infrastructure and educational system, the oil revenue notably contributed to the rise in the living standards of the region. However a number of obstacles such as inadequate infrastructures, skilled labor shortages, scarcity of physical resources and poor administrative machinery for managing the economy hindered the domestic absorption of the accrued oil revenues. In the period between 1970s-80s the rise in oil revenues in the Gulf countries aided in increasing the GCC countries' engagements with the rest of the world (Kubursi, 1986).

During the 1990s, oil prices soared from about $15 per barrel to $40 as Iraqi and Kuwaiti oil was held off the global oil market, allowing Saudi Arabia and other OPEC members to increase production fiercely without any price undercut. It was predicted that Saudi Arabia would earn huge oil revenues, making it sufficient to repair the materializing Gulf war damages and still have a sustained and equitable regional economy. However this anticipated exhilaration of the United States and some Gulf countries met a reverse fortune. As the issues of fiscal imbalance and budget deficit in the Gulf countries preceded the US bombing of Iraq, during the 1990s it was evident that the Middle East will face a considerable economic blow (Sadowski, 1991). Compared to the 1980s, the region as a whole was much poorer in the 1990s with enhanced socio-economic gaps and instigated political resentments among the Gulf countries.

The period after 1980 was marked by a 20 year decline in oil prices with minor shocks during the Persian- Gulf war. However, owing to the unprecedented growth of newly industrialized economies, increasing globalization and trade liberalization, the 2000s was marked by a gradual increase in oil prices (Stevenson, 2018). In the period between 2003-2008, when the global economy was facing an energy crisis the GCC countries witnessed an economic boom and generated a large volume of oil revenues. In the 2003-2008 oil price boom, despite having massive oil windfall, extensive economic growth and investments, the GCC countries faced similar challenges in terms of labor market and persisting economic and governance structures. The 2008 global financial crisis badly impacted the Gulf economies with a decline in oil prices and production.

On account of the Arab Spring in 2011 popular uprisings swept across the Middle East, dramatically altering the political landscape of the region. With resulting political instabilities in oil producing countries and the transporting route of the Suez Canal being affected, oil prices in the early 2011 rose to well over $100 per barrel (Maryan, 2014). Between 2014-2016, in a strategic gear to bolster the sagging oil prices, many of the OPEC's oil producing nations collectively cut their oil outputs, leading to soaring oil prices at a global level.

Starting in 2020, the twin COVID-19 significantly impacted the Gulf economy. Beyond the massive public health crisis the pandemic highlighted the Gulf region's vulnerability to its hydrocarbon dependency. Triggering an unprecedented demand shock in the global oil market, the pandemic led to a collapse in oil prices. Adding to the series of aforementioned crises that manifests the volatility of the oil prices, the latest in the series of events is the war between Israel and Palestine. Since the outbreak of the war in October, 2023, the Israel-Palestine crisis has contributed to the rising oil prices which is speculated to rise further as war escalates across the region. Thus owing to regional and global geopolitical tensions and fluctuating dynamics of demand and supply, the oil prices have experienced a considerable volatility, impacting the Gulf economies due to their dependency on oil.

IV. What does Economic Diversification stand for?

Economic diversification signifies the shift of an economy, reliant on a singular revenue source like hydrocarbons, towards one where various sectors, beyond oil and gas, play a pivotal role. These sectors encompass manufacturing, agriculture, tourism, technology, and clean energy, among others. Economies tethered to a solitary income source are susceptible to crises, particularly when that source is tied to hydrocarbons. The aim of economic diversification is to establish sustainable revenue streams to ensure elevated living standards for future generations (Naimi, 2021).

Efforts toward economic diversification strive to mitigate the risks of price fluctuations, rendering an economy less volatile compared to one centered on hydrocarbons (Jundi, 2012). The impetus for prioritizing diversification in economic policy emanates from factors such as finite hydrocarbon reserves, market price oscillations, and substantial reliance on oil income. The conventional rentier state model in the Gulf has considerably failed to create a stable source of income and working opportunities for the swiftly growing generation of well-educated citizens (Hvidt, 2011).

The transition to a post-oil economy has several dimensions. First comes the replacement of oil and gas production with the production of goods and services that are independent of the oil and gas sector. This also involves the replacement of government revenues that are derived from the hydrocarbon sector with revenues from other sectors namely taxes on consumption and non oil sectors. Thus the economic diversification drive necessitates other key measures, including governmental expenditure moderation, push for non-oil exports, and increasing foreign direct investment (FDI) (Kabbani & Mimoune, 2021).

The economic diversification agenda also aims at producing non-hydrocarbon based goods and services that not only suffices the needs of the domestic population but can also be traded with the rest of the world. The primary strength of the Gulf nations' transition into knowledge based economies lies in their determination to diversify the conventional oil based economy (Hassen, 2021. However, such endeavors also face challenges such as shortage of skilled human resources, or the apprehensions of failure of the new economic model.

V. Gulf's Diversification Efforts : Case of the UAE and Saudi Arabia

In order to traverse the deadweight of legacy policies the six Arab countries of the Gulf—Bahrain. Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates (UAE) are endeavoring to reduce their oil and gas dependency. Steering a historical economic switch, these countries are at varying stages of transition depending on their leftover hydrocarbon reserves. Over the last couple of decades the Gulf states have witnessed a widespread adoption of neoliberal market-led reforms. Over the past few decades, the Gulf states have experienced a widespread adoption of neoliberal market-led reforms aimed at mitigating their heavy reliance on the hydrocarbon sector. Strategies such as privatization, deregulation, and market-oriented reforms have been extensively

pursued, albeit with varying degrees of implementation due to distinct political and socio-economic structures.

Diversification efforts in the Gulf were initially pioneered by Bahrain, which possesses limited oil reserves within the GCC. However, Bahrain was soon surpassed by the emirate of Dubai, setting the pace for the rest of the UAE. Undoubtedly, Dubai has emerged as a frontrunner, diversifying its economy into finance, logistics, and tourism, and establishing itself as a regional hub for multinational corporations (Hvidt, 2011). This development model, termed the 'Dubai Model' by Martin Hvidt, has significantly influenced the economic trajectory of the UAE. In the post-coronavirus pandemic era, economic diversification has gained renewed traction and urgency in the Arab Gulf. The pandemic-induced global economic slowdown led to a decline in crude prices, exerting substantial pressure on the fiscal positions of Gulf countries. This resurfaced the decades old concerns among the GCC countries about the sustainability of their hydrocarbon revenues (Kabbani & Mimoune, 2021).

Developing a more holistic approach towards the need for diversification, the Gulf countries have incorporated economic diversification agendas into their national visions and established commissions to facilitate the integration of the private sector into ongoing economic ventures. This also led to establishing agencies to support small and medium enterprise (SME) financing and development such as Qatar Development Bank, Oman's Riyada and Saudi Arabia's Small and Medium Enterprise Authority. Governments have complemented these policy actions with the creation of Free Trade Zones (FTZs) and Special Economic Zones (SEZs), operating beyond the regulatory frameworks of the private sector, attracting foreign direct investments (FDIs), and serving as innovation hubs. Among these the UAE has 45 FTAs with 100 percent foreign ownership. Whereas Bahrain allows complete foreign ownership in sectors such as communication, administrative services and real estate. Furthermore, over the past two decades, the Gulf countries have relaxed business regulations to support and facilitate the startup ecosystem, fostering a conducive business environment.

The transition to clean energy represents another critical facet of the economic diversification process in the Gulf. Despite abundant oil and gas reserves, diversifying energy resources into solar, wind, and green hydrogen is essential for achieving sustainability. To bolster their approach, GCC countries are making significant efforts to diversify renewable energy resources. Additionally, Gulf states are reforming educational policies to align graduates' skills with market needs. Initiatives supporting young entrepreneurs, such as training and counseling programs, have gained traction across the Gulf, with countries like Oman investing in vocational training centers and technical colleges to bridge the knowledge gap in the private sector.

- **UAE**

In 2019, UAE's ministry of economy launched the 'Fifty Economic Plan' titled 'Towards the Next 50,' to steer the country towards a future-oriented economy. This plan serves as a roadmap for economic endeavors in the coming decades and encompasses five key pillars: an integrated economy, tourism, entrepreneurship and SMEs, foreign direct investment and exports, and attracting and retaining talent. Its objective is to propel the country's national economy forward by the year 2030.

The UAE's Green Growth Strategy aims to achieve sustainability across social, economic, and environmental sectors, moving away from dependence on the hydrocarbon sector. Aspiring to become a global leader in the green economy, the UAE aims to position itself as a hub for the export and re-export of green products and technologies, fostering long-term economic growth. The strategy encompasses a set of policies and programmes spanning across sectors such as agriculture, energy, investment and sustainable transport along with new environmental and urban policies.

The UAE aims at strengthening the country' position as a global hub for the upcoming industrial revolution under the banner of its 'Strategy for the Fourth Industrial Revolution', contributing to a competitive national economy built on futuristic applications that merge material, digital and biological technologies. The strategy also eccompasses harnessing advanced technologies from artificial intelligence (AI) and nanotechnology to 3D technology. UAE's National Programme for Artificial Intelligence 2031, also sheds light on the country's extensive efforts for building a future-centric and highly advanced infrastructure. Aligning with the objectives of the

UAE Centennial 2071, this strategy aims at utilization of AI in advancing vital sectors like education and economy.

In 2017, the UAE launched its 'Energy Strategy 2050,' targeting a 40 percent increase in energy efficiency in the individual and corporate sectors, alongside a plan to raise the share of renewable energy in the total energy mix from 25 percent to 50 percent by 2050, saving the equivalent of AED 700 billion. In order to push its economic diversification agenda, the UAE aims to mobilize investment in numerous sectors such as scientific research, logistics, food security, health care, manufacturing, renewable energy and advanced technology. This also includes driving innovation and empowering start-ups and small businesses by making finance accessible and pushing for public-private partnership. (Rahman, 2021)

As the UAE advances its diversification efforts, its GDP reached $442 billion at constant prices in 2022, with 7.9 percent annual growth driven by the non-oil sector. Emphasizing sustainable development, foreign trade promotion, and openness, the UAE government has implemented measures to enhance economic resilience, including 100 percent foreign ownership provisions, intellectual property legislation, and talent attraction strategies. These efforts have led to a remarkable recovery from the pandemic-induced slowdown (Nagraj, 2023). As of February 2024, the UAE achieved a historic milestone, with the non-oil sector contributing 73 percent to the country's total GDP. The National Tourism Strategy 2031, strong construction activities and government investment in infrastructure became some of the key drivers of this registered growth. (John, 2024).

- **Saudi arabia**

In 2016, Saudi Arabia unveiled the strategic framework of Vision 2030, aiming for sustainable growth and economic diversification. Key pillars of this strategy include investment in human capital, non-oil sectors like tourism, and educational facilitation (Naimi, 2021). According to the Ministry of Economic and Planning, in 2023, non-oil economic activity comprised 50 percent of the Kingdom's total GDP. A significant driver of Saudi Arabia's GDP growth is the rise in private consumption, particularly in sectors like tourism, entertainment, and hospitality. Social reforms have also increased the female labor force, consequently reducing the female unemployment rate (Ghanem, 2024).

As of 2024, the country's non-oil sector is experiencing significant growth, indicating a pivotal breakthrough in its diversification efforts and a shift away from traditional reliance on oil revenues. Experts emphasize the crucial contribution of the non-oil private sector in sustainable job creation and overall productivity growth, catering to the demands of the young and educated population. Transitioning towards the non-oil private sector is deemed urgent, especially given that approximately 60 percent of the population is under the age of 30 (Ghanem, 2024). Progressing steadily towards achieving its objectives, Saudi Arabia's vision 2030, aims to reduce its hydrocarbon dependency, develop innovative technology, tourism, infrastructure and boost domestic industries. Under its ambit, the kingdom has pursued rapid diversification across three vital fronts which include enhancing trade diversity to uplift non-oil trade share, boosting export value-added and diversifying trade partnerships; seeking government revenue diversification through VAT and other tax measures; and expanding production horizons to reduce its reliance on oil based industries (Ghanem, 2024).

Saudi Arabia aims to create a knowledge based economy by modernizing its educational process and fostering an entrepreneurial mindset, particularly in higher education curricula, to meet job-oriented market demands. The traditional educational system has posed challenges such as high youth unemployment, limited public sector job opportunities, and increasing poverty rates (Naimi, 2021). Furthermore, the kingdom's National Tourism Strategy is expected to attract around 150 million tourists by 2030 and contribute more than 10 percent to the country's GDP. In the foreseeable future, non-oil sectors are expected to drive business activities, with services like financial services, wholesale and retail, transport and logistics, and hospitality leading the way. Mega and Giga projects and events such as Expo 2030 and the World Cup 2023 could provide significant economic boosts. However, hurdles stemming from regional conflicts like Red Sea shipping disruptions may hinder the construction sector, increasing production costs.

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VI. The Emerging Potential of India-Gulf Cooperation in the Post-Oil Era

India's historical ties with the Arab world date back to the early medieval era, but significant political and economic engagements began in the early 1970s with the launch of India's five-year economic development plan and the necessity to import substantial amounts of oil and gas resources (Fatima, 2020). India views the GCC as an integral part of its extended neighborhood. Since the 1990s, as economies opened up and market reforms took hold, the two regions have drawn closer together. In recent years, bilateral ties between India and the Gulf have strengthened significantly. India's dependency on Gulf's hydrocarbon resources, along with the nuances of economic privatization and liberalization, have made cooperation between India and the Gulf region inevitable, underscoring West Asia's pivotal position in India's foreign policy landscape. The Gulf's regional and intra-regional initiatives, such as the Arab Free Trade Area and the Look-East Policy, have played a crucial role in facilitating trade and connectivity, leading to increased capital flows within the region and beyond. Prime Minister Modi's reinforcement of the "Look West" policy since May 2014 underscores India's intention to deepen ties with West Asian nations. The changing dynamics of globalization and the neoliberal economic order have prompted Arab economies to reduce their dependence on the West and look towards the Asian region. This convergence of India's "Look West" policy and the Arab Gulf's "Look East" policy has strengthened economic and political engagements between the two regions, with trade connectivity, remittances, and foreign investments serving as vital pillars of this engagement (Fatima, 2020).

- **Trade and Investments**

With over 8.8 million Indian diaspora residing in West Asia, the GCC countries host 66 percent of total non-residential Indians. West Asia contributes to 60% of India's oil imports, with Saudi Arabia and other OPEC countries being major suppliers of crude oil. As of 2022-2023, India-Arab world trade surpassed USD 240 billion annually, with trade with the GCC countries amounting to $84 billion by the end of March 2023. In recent years, there has been growing interest in India's burgeoning economy among Gulf investors. The Qatar Investment Authority (QIA), for example, recently expressed interest in investing $1 billion in Mukesh Ambani's Reliance Retail, acquiring a 0.99 percent share in the company. Qatar's sovereign wealth fund has also made investments in other Indian startups and delivery groups, such as Swiggy.

After China, the USA, and Japan, Saudi Arabia ranks as India's fourth-largest trading partner and a major source of India's crude oil requirements. In 2019, both countries signed the Strategic Partnership Council Agreement, identifying India as one of KSA's Strategic Partner Countries under its 'Vision 2030'. Over the past decade, the UAE and India have intensified their efforts to strengthen bilateral ties, raising their trade volume to $100 billion. With India ranking as the UAE's second-largest trading partner, Indian Prime Minister Modi has visited the Gulf state five times since 2014. In February 2024, India and the UAE signed the Bilateral Investment Treaty (BIT) and a Comprehensive Economic Partnership Agreement, laying the groundwork for further investments in both countries.

- **India-GCC Clean Energy Cooperation**

During the G20 Summit hosted by India, the India-Middle East-Europe Economic Corridor (IMEC), marking a substantial stride towards sustainable energy efforts, conflucing the geopolitical landscape of three continents. In 2018, India and Bahrain signed a Memorandum of Understanding (MoU) to enhance bilateral cooperation in renewable energy. This was followed by a joint working group meeting in 2021 to further solidify their collaboration. Additionally, Indian clean energy firm ACME secured nearly 40 billion rupees in fresh investment from infrastructure finance firm REC. This investment will be used to kickstart the development of ACME's green hydrogen and ammonia project in Oman.

In 2021 India extended an invitation to GCC countries to make investment in its clean energy sector. Consequently, in October 2023, on the sidelines of the MENA Climate Week in Riyadh, India and Saudi Arabia signed an initial pact to collaborate in the field of green/clean hydrogen, electrical interconnections, and supply chains. Prior to that, an Indian delegation participated in high-level talks during the MENA Climate. The agreement lays the foundation for collaboration across key sectors, including

electrical connections, joint infrastructure projects, emergency electricity exchange, green hydrogen, and co-production of renewable energy. Additionally, it aims to establish resilient supply chains for critical materials used in clean hydrogen and renewable energy production, with a focus on security and resilience.

India's ambition to achieve 450 gigawatts of renewable energy installed capacity by 2030 and its target of net-zero emissions by 2070 are closely aligned with the UAE's 2050 Energy Strategy and its Net Zero by 2050 Strategic Initiative. During his opening address at Cop28, UAE's President Sheikh Mohamed pledged $30 billion towards combating climate change. As part of its commitments, the UAE plans to expand clean energy capacity in India by 6.6 gigawatts, including the construction of 1,200 megawatts of solar and wind energy projects. In March 2024, the UAE-India Business Council and Nangia Andersen LLP unveiled a new report titled "Modern Energy: India-UAE Collaboration for a Sustainable Future," highlighting policy frameworks and initiatives such as India's National Solar Mission in the UAE's Energy Strategy 2050.

VII. Conclusion

It is imperative for the GCC countries to successfully develop diversified economies capable of ensuring job security and addressing demographic challenges in the region. However, the ongoing conflicts and regional instability are likely to hinder the countries' diversification efforts. Nonetheless, countries like Saudi Arabia and the UAE can play a pivotal role in spearheading diversification efforts across the region if they adhere to their stated national visions and policy frameworks. Policy efforts for economic diversification must acknowledge legitimate rent-seeking behavior. GCC governments need to have transparent discussions with citizens about financial constraints and future options, then redefine the governing social contract to ensure fairness. This renegotiation should involve both political elites and ordinary citizens relinquishing some benefits and privileges due to decreased hydrocarbon reserves and anticipated long-term price declines. To achieve this, the GCC nations should implement reforms aimed at facilitating foreign investment and promoting entrepreneurship among citizens to strengthen the private sector. Moreover, the government should support initiatives that promote women's participation in the workforce by implementing quotas and publishing annual reports and statistics on gender diversity. Companies such as ADNOC and Saudi Aramco serve as exemplary models, investing in their employees through education, skill development training, and healthcare services. By following their lead, other companies can contribute to fostering a conducive environment for economic diversification and sustainable growth in the region. Furthermore, in this era of economic diversification in the Gulf, India and the GCC nations can forge deeper cooperation by leveraging their existing collaborations across various sectors to address each other's evolving needs, thereby fostering closer diplomatic and strategic ties between the two regions. India's quest for energy independence in sustainable production poses certain hurdles, including heightened production expenses and potential job displacement in traditional energy domains. Nevertheless, harnessing significant foreign direct investment (FDI) to enhance renewable infrastructure holds the promise of creating more employment opportunities compared to the fossil fuel sector. The Gulf Cooperation Council (GCC) countries demonstrate a growing demand for engineers and skilled labor in renewable energy. India's expertise in sustainable energy development and its adept workforce present avenues for collaborative ventures or investments in IT, healthcare, education, and infrastructure domains. Moreover, India's expensive consumer market offers prospects for Gulf nations to diversify trade and investment.

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