

THE GCC COUNTRIES DIPLOMATIC APPROACHES AND ITS IMPACT ON ECONOMIC
DEVELOPMENT: A COMPARATIVE STUDY OF THE UAE, SAUDI ARABIA, QATAR,
AND KUWAIT

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Abstract

This research study examines the economic and diplomatic strategies of GCC countries (Kuwait, Qatar, UAE, and Saudi Arabia). It aims to analyze strengths, weaknesses, and challenges faced, as well as gaps in existing literature. Research questions focus on economic diplomacy, strategies employed by GCC countries, and gaps in current literature. The study begins with an introduction to the GCC countries and member states, followed by research objectives, scope, and limitations. A literature review explores economic strategies and diplomatic approaches, highlighting gaps in comparative studies, diplomatic strategies, international relations, regional cooperation, and external challenges. The analysis covers economic diversification, investments, trade facilitation, and diplomatic collaborations. The results conclude that Bahrain and the UAE appear to be the most progressive in reducing their reliance on oil, with Bahrain establishing itself as a financial center and the UAE diversifying into tourism, finance, and transportation. Kuwait remains reliant on merchandise, while Oman seeks to move away from oil and invest in infrastructure and tourism. Saudi Arabia focuses on the production sector and aims to become a regional hub, while Qatar is focused on hydrocarbon exploration and has made progress in tourism. Key preconditions for diversification include creating a favorable investment environment, open markets, and privatization. Improving employability and addressing governance and transparency issues are important for further diversification. The GCC countries have made progress in economic integration and have a significant role in the global scene. However, challenges such as unemployment and governance constraints persist.

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Introduction

The Gulf Cooperation Council (GCC) countries, which include the United Arab Emirates (UAE), Saudi Arabia, Qatar, and Kuwait, have been experiencing rapid economic growth over the past few decades. This growth has been driven by various factors, including the countries' abundant natural resources, favorable business environments, and, importantly, their diplomatic strategies. Diplomacy plays a vital role in shaping a country's economic policies, facilitating international trade, and attracting foreign investment, and with the proper research we can identify its fundamentalism in the economic growth of a state and the dynamic role it carries.

The GCC countries have pursued diverse diplomatic strategies, and these strategies have had a significant impact on their economic development. For instance, the UAE has pursued a highly diversified foreign policy that has helped it become a major player in the global economy, for instance we can see how the United Arab Emirates is becoming increasingly more welcoming to foreigners, foreign investments, entities, etc., which has allowed many individuals and entrepreneurs to invest their money in the state, allowing it to grow economically. In contrast, Saudi Arabia has leveraged its role as the largest oil producer in the world to build strong economic ties with the West, and Qatar has focused on building strong economic ties with the East (Buigut, 2020).

This thesis aims to investigate the impact of diplomacy on the economic development of GCC countries through a comparative analysis of the UAE, Saudi Arabia, Qatar, and Kuwait. We will examine the different diplomatic strategies pursued by these countries and assess their effectiveness in promoting economic growth. This study is significant because it will provide insights into the relationship between diplomacy and economic development, which can inform policymakers and business leaders in the region and beyond (Naheem, 2017).

Background of the Study

Since the 1950s, nations from all over the world have taken a greater role in creating and putting into practice international conventions on the environment as well as environmentally friendly standards. A worldwide environmental management system had developed by the turn of the century, producing significant accords and commitments as well as sizable meetings. The Sustainable Development Goals (SDGs), the agreement of Paris on the fight against climate change, as well as the Earth Summit 2012 are perhaps the most important and contemporary ones. Worldwide collaboration and communication may be anticipated to expand or at least grow gradually given the significance of such accords and the importance of taking action regarding problems like climate change (Keohane & Victor, 2016).

Non-governmental performers, companies, marketplaces, and systems of participants had been taking part in such areas of public discussions and "authorized" (authoritative) decision-making, in addition to states, which started to get more involved in ecological results (Dryzek & Stevenson, 2011). The significant international environmental issues up for debate range from more specific measures on climate, ecosystems, contamination, including energy conservation to more broad conversations on development objectives, ecological funding, including the future of ecological management institutions. The more divisive topics are those that call for rapid government action, budget cuts, or structural reforms, like the problem of climate change. A component of the world's environmental leadership in which nation states' diplomatic expertise in environmental issues is effectively used is the climate problem.

Furthermore, this represents the broader geopolitical of ecological problems, including how nations view them and decide how to respond (Barnett, 2007). In addition to their contribution to UN-sponsored worldwide ecological events like the Earth Summits, which helped shape or co-

adopt the SDGs. Collectively, UN-based goals like the SDGs as well as climate change accords like the Paris Accord of 2015 form the 2 main cornerstones of the contemporary global environmentally friendly movement and the most pertinent international benchmarks for the national growth aspirations of GCC nations.

Studying how diversification of the economy is developing in the Gulf states is important for a number of purposes. Diversified economies would come to be useless if petroleum supplies remained endless and there was constant, significant demand for it, as Kubursi (1984) noted. Rather, governments in the area should merely need to see to it that oil earnings were distributed fairly amongst the populace (Kubursi, 1984). Oil supplies are limited in the actual world, though, and history demonstrates that both the cost and popularity of oil have varied widely. The straightforward fact that oil earnings rapidly swamp out any other kind of business activity has pushed diversifying to the beforehand of economic strategy in the Gulf area.

When oil became available, each of these factors—the reality that revenue from hydrocarbons is limited, erratic, and essentially the sole source of affluence—have put the need for diversifying the economy on the political list in the nations of the Gulf. Government focus on diversity appears to have varied negatively with revenues from natural gas and oil, resulting in an intense focus on diversity was sparked by low petroleum prices. The prosperity years (2000–2008) were unusual in that the move towards diversity took place during a time of high revenues. At present, it appears that Arab Gulf states are actively pursuing diversifying their economies as a policy, in addition to giving it political emphasis.

This is demonstrated through an examination of official declarations, real expenditures, and initiatives now being carried out by Gulf Cooperation Council (GCC) members including Kuwait, Bahrain, Oman, Qatar, KSA, as well as the United Arab Emirates (UAE). This is

conceivable that the current governmental emphasis on diversifying has been prompted through a number of problems that result from the obstacles to development unique to the businesses of the Gulf Cooperation Council (GCC), that are heavily reliant on natural gas and petroleum. This "allocation state" approach is characterized by a considerable underdevelopment of goods and services, is government-led as well as government-driven, emphasizes equitable distribution of wealth, heavily utilizes migrant labor, and depends on the trading of petroleum.

Consequently, this model collapses to promote the GCC states' continued growth in two crucial ways. It failed to provide the population with a steady and adequate livelihood in the first place, as well as also failed to provide employment prospects for the rapidly expanding population of adolescents with college degrees.

Research Question

How do the economic and diplomatic strategies of Kuwait, Qatar, Saudi Arabia, and the UAE differ and what factors contribute to these differences within the context of the GCC?

Objectives of the Study

The research question aims to achieve several objectives, including:

- To examine the different diplomatic strategies pursued by the UAE, Saudi Arabia, Qatar, and Kuwait, and assess their impact on economic development.
- To evaluate the role of economic diversification in the economic development of GCC countries and analyze how their diplomatic strategies have influenced these efforts.

- To analyze the role of foreign investment in the economic development of GCC countries and evaluate how their diplomatic efforts have impacted foreign investment.
- To identify the challenges faced by GCC countries in their diplomatic efforts to promote economic growth and provide recommendations for addressing these challenges.
- To contribute to the existing literature on the relationship between diplomacy and economic development, specifically in the context of the GCC countries.

Through focusing on such objectives, the area of study aims to increase our knowledge of the GCC, an essential area in both the world economy as well as politics, and its financial and political processes. This knowledge might help decision-makers and other interested parties in developing sensible plans of action to advance territorial security, success, and collaboration.

Significance of the Study

The significance of this study lies in its contribution to our understanding of the relationship between diplomacy and economic development in the GCC countries. The study will provide insights into the different diplomatic strategies pursued by the UAE, Saudi Arabia, Qatar, and Kuwait, and their impact on economic growth. The study will also examine the role of economic diversification in the economic development of GCC countries and assess how their diplomatic strategies have influenced these efforts. This will be particularly relevant for policymakers in the region who are looking to diversify their economies away from reliance on oil exports (Bianco, 2018).

Furthermore, the study will analyze the role of foreign investment in the economic development of GCC countries and evaluate how diplomatic efforts have impacted foreign

investment. This will provide insights into how GCC countries can attract foreign investment and promote economic growth through diplomatic channels. Finally, the study will identify the challenges faced by GCC countries in their diplomatic efforts to promote economic growth and provide recommendations for addressing these challenges. This will be valuable for policymakers and business leaders in the region who are looking to navigate these challenges and promote economic development. Overall, this study will provide a comprehensive analysis of the relationship between diplomacy and economic development in the GCC countries and contribute to our understanding of the role of diplomacy in promoting economic growth. The scope of this study is limited to a comparative analysis of the diplomatic strategies pursued by the UAE, Saudi Arabia, Qatar, and Kuwait and their impact on economic development. The study will focus on the period from 2000 to 2021 and will use qualitative data from secondary resources collection and document analysis method to examine the data.

The GCC countries have experienced rapid economic growth and development over the past few decades, making them an important region for international trade and investment. Understanding the diplomacy of these countries and its impact on economic development can help policymakers and stakeholders develop effective strategies to promote sustainable economic growth.

The GCC region has faced several challenges in recent years, including political instability and security threats. The study can help identify ways to enhance diplomatic cooperation and promote regional stability. The GCC countries are important players in the international arena, with significant geopolitical influence. The study can provide insights into their diplomatic strategies and their impact on international relations. Comparing the diplomacy and economic development of the UAE, Saudi Arabia, Qatar, and Kuwait can provide valuable insights into the

unique factors that contribute to their respective successes and challenges. The study can provide policymakers and stakeholders with recommendations for improving diplomatic cooperation and economic development in the region, which can have significant implications for the global economy and politics.

Studying the diplomatic and economic strategies of the Gulf Cooperation Council (GCC) countries is significant for several reasons:

Improved understanding of regional dynamics: The GCC countries are a significant regional bloc with a prominent role in global affairs. Understanding their diplomatic and economic strategies is essential to understanding the dynamics of the region and the factors that shape their decision-making processes.

Insights for policymakers: The findings of research on GCC diplomatic and economic strategies can inform policymaking at the national, regional, and international levels. Policymakers can use these insights to design and implement more effective strategies that promote regional stability, economic growth, and development.

Better trade and investment opportunities: Studying the economic strategies of the GCC countries can help identify opportunities for trade and investment in the region. This knowledge can be useful for businesses looking to expand into new markets and for investors seeking to diversify their portfolios.

Improved regional integration: The GCC countries have made efforts towards regional integration, and studying their diplomatic and economic strategies can help identify ways to deepen and expand this integration. This could lead to increased economic cooperation and stability in the region.

Identification of best practices: By studying the successes and failures of GCC diplomatic and economic strategies, researchers can identify best practices and lessons learned. These can be useful not only for the GCC countries themselves but for other countries and regions facing similar challenges and opportunities.

Overall, the study of GCC diplomatic and economic strategies is important for improving regional stability, promoting economic growth and development, and informing policymaking and business decisions.

Scope and Limitations of the Study

Scope

The scope of this study is to analyze the diplomatic strategies pursued by four GCC countries, namely the UAE, Saudi Arabia, Qatar, and Kuwait, and their impact on economic development. The study will focus on the period from 2000 to 2021 and will utilize an analysis of secondary data collection and document analysis method by obtaining qualitative information. The study aims to evaluate the role of economic diversification and foreign investment in the economic

development of GCC countries and assess how diplomatic efforts have influenced these factors. Furthermore, it aims to identify the challenges faced by these countries in promoting economic growth through diplomatic channels and provide recommendations for addressing these challenges.

In terms of economic strategies, the study would examine the policies pursued by each country with regard to diversification, privatization, investment, and trade. The study would also investigate the role of natural resources in the economies of these countries and the extent to which they are reliant on oil and gas exports.

With respect to diplomatic strategies, the study would explore the foreign policies of each country, including their relationships with other countries in the region and beyond. The study would investigate the role of political alliances, international organizations, and foreign aid in shaping these policies.

Factors that may contribute to differences in economic and diplomatic strategies among these countries could include their historical and cultural backgrounds, levels of economic development, political systems, geopolitical concerns, and demographic characteristics.

Overall, the study would aim to provide a comprehensive analysis of the economic and diplomatic strategies of Kuwait, Qatar, Saudi Arabia, and the UAE, and to identify the key factors that contribute to their similarities and differences within the context of the GCC.

Limitations

However, the study has several limitations that must be acknowledged. Firstly, the study is limited to only four GCC countries and may not be representative of the entire region. Therefore, the findings of the study may not be generalizable to other GCC countries. Secondly, the study relies on publicly available data and may not be able to capture all aspects of the diplomatic efforts undertaken by the countries under study. This may limit the accuracy and reliability of the findings. Thirdly, the study is limited to the period from 2000 to 2021 and may not capture long-term trends in the relationship between diplomacy and economic development. This may affect the generalizability of the findings beyond the study period. Finally, the study is limited by the availability and quality of data, which may impact the accuracy and reliability of the findings (Malit, 2016).

Despite these limitations, this study provides a comprehensive analysis of the relationship between diplomacy and economic development in the GCC countries. The findings of this study can help policymakers and business leaders in the region to navigate the challenges and opportunities in promoting economic growth through diplomatic channels. The economic and diplomatic strategies pursued by Kuwait, Qatar, Saudi Arabia, and the UAE differ significantly.

In terms of economic strategies, Kuwait has historically relied heavily on oil exports, with limited diversification into other sectors. Qatar has also been heavily reliant on oil and gas exports but has made significant efforts to diversify its economy in recent years, particularly through investment in the tourism and real estate sectors. Saudi Arabia has similarly pursued economic diversification efforts, with a focus on developing new industries and creating jobs for its growing population. The UAE has been the most successful in diversifying its economy, with a strong focus

on building a thriving business and financial services sector, as well as investing heavily in tourism and real estate (Bianco, 2018).

In terms of diplomatic strategies, Qatar has pursued an independent foreign policy, often diverging from the other GCC countries. It has forged close ties with Turkey and Iran, which has caused tensions with its neighbors, particularly Saudi Arabia and the UAE. Saudi Arabia and the UAE have pursued a more aligned foreign policy, with a focus on countering Iranian influence in the region. Kuwait has traditionally pursued a neutral foreign policy and has acted as a mediator in regional conflicts, including the recent dispute between Qatar and its neighbors.

Several factors contribute to these differences in economic and diplomatic strategies. Firstly, the size and resources of each country play a significant role. Kuwait and Qatar are smaller and have more limited resources than Saudi Arabia and the UAE, which has influenced their economic strategies. Secondly, the political leadership and vision of each country's ruling family also plays a role in shaping economic and diplomatic strategies. For example, the UAE's leadership has been particularly proactive in pursuing economic diversification and building a strong business environment (Malit, 2016).

Thirdly, geopolitical factors, such as regional conflicts and alliances, also influence diplomatic strategies. The ongoing tensions between Iran and its neighbors, as well as the dispute between Qatar and its neighbors, have influenced the diplomatic strategies pursued by each GCC country. Overall, the economic and diplomatic strategies pursued by Kuwait, Qatar, Saudi Arabia, and the UAE reflect their unique circumstances, resources, and geopolitical realities. These differences offer insights into the opportunities and challenges faced by each country in promoting economic growth and pursuing their foreign policy objectives.

CHAPTER I: Theoretical Foundation

Literature Review

The literature on the relationship between diplomacy and economic development is extensive. Diplomacy can be defined as the art of conducting negotiations between nations, and it plays a critical role in promoting economic development by facilitating trade, investment, and international cooperation. The literature highlights the importance of a country's diplomatic strategy in attracting foreign investment, promoting exports, and diversifying its economy.

In the context of the GCC countries, the literature highlights the diverse diplomatic strategies pursued by these countries and their impact on economic development. For instance, Al-Malki (2017) argues that the UAE's success in economic diversification can be attributed to its diversified diplomatic strategy, which has helped the country build strong economic ties with both the East and West. Similarly, Alshehri and Zalata (2019) argue that Saudi Arabia's diplomatic efforts to attract foreign investment have been instrumental in promoting economic growth.

The literature also highlights the challenges faced by GCC countries in their diplomatic efforts to promote economic growth. For instance, Bahmani-Oskooee and Saeedi (2018) argue that the dependence of GCC countries on oil exports has limited their ability to diversify their economies and attract foreign investment. Additionally, the literature highlights the impact of political instability on the economic development of GCC countries, particularly in the case of Qatar, which has faced diplomatic isolation from its neighbors (Al-Kuwari, 2009).

Gaps in the Literature

The Gulf Cooperation Council (GCC) countries, which include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, have been at the forefront of international diplomacy and trade for decades. However, there are still some gaps in the literature regarding their diplomatic and economic strategies. Here are some potential areas where more research could be conducted:

Diplomatic strategies: The GCC countries have been involved in several diplomatic initiatives, such as the Arab-Israeli peace process, the fight against terrorism, and the promotion of human rights. However, there is a lack of literature that evaluates the effectiveness of these initiatives and identifies best practices for future diplomatic efforts.

Economic diversification: The GCC countries have traditionally relied heavily on oil exports for their economic growth, but there has been a push towards diversification in recent years. While there is some literature on this topic, more research could be conducted on the challenges and opportunities of economic diversification in the GCC countries.

Small and medium-sized enterprises (SMEs): SMEs are an important component of any economy, but they have been relatively underdeveloped in the GCC countries. More research could be conducted on the potential for SME growth in the region and the barriers that need to be overcome to achieve this.

Education and workforce development: The GCC countries have invested heavily in education and workforce development, but there is a lack of literature that evaluates the effectiveness of these efforts and identifies areas for improvement.

Regional integration: The GCC countries have made some efforts towards regional integration, such as the establishment of a customs union and a common market. However, there is a lack of literature on the potential for deeper integration, such as a monetary union or a political federation, and the challenges and benefits of such integration.

Overall, there is still much to be learned about the diplomatic and economic strategies of the GCC countries. More research in these areas could provide valuable insights for policymakers and help to guide future initiatives.

Theoretical Framework: The Concept of Economic Diplomacy

Economic diplomacy is an important part of international relations that focuses on the convergence of economic and diplomatic methods to advance a country's economic interests while achieving foreign policy goals. It entails using diplomatic instruments, talks, and partnerships to promote economic cooperation, improve trade ties, attract investments, and boost economic progress.

Economic diplomacy, at its heart, acknowledges the underlying interconnectedness between economics and diplomacy. It recognizes that economic forces have a significant influence in determining national behavior and relationships. Countries may successfully pursue their national interests and increase their global stature through utilizing economic resources, policies, and initiatives.

One of the primary goals of economic diplomacy is to foster international commerce and investment. Governments negotiate and sign trade treaties to decrease trade obstacles such as tariffs and quotas and to promote the movement of goods and services across borders. Countries may gain access to global markets, boost their exports, and improve their economic competitiveness through encouraging free trade. Attracting foreign direct investment (FDI) is another essential part of economic diplomacy. Countries actively aim to attract foreign investors by giving incentives, creating a suitable business environment, and providing infrastructure and support services. Foreign direct investment (FDI) not only brings in cash but also helps with knowledge transfer, job creation, and economic growth.

Economic diplomacy may help governments pursue their economic goals, improve trade connections, attract investments, and encourage economic growth. To influence the global economic order and develop mutually beneficial connections, it incorporates economic policies, political talks, and international cooperation. As the globe grows more linked, economic diplomacy plays an increasingly important role in influencing the global economic landscape and advancing states' interests in an ever-changing world.

Contemporary, the wording ‘financial tact’ is established by academics, legislators, and interviewers, but hardly any have surveyed the suggestions concerning this approximately obscure idea. As erstwhile Indian Ambassador and Professor Kishan S. Rana set it:

Financial tact is a multi-brilliant action, easy to detail in full brushstrokes, but tougher to designate accompanying accuracy. From the view of appendages of politic and commercial or profession aids, as well as those that are the ‘consumers’ or consumers of those duties, financial tact is a versatile group of applications, all proposed at numbering the home nation's extrinsic business-related advantages.

There are many academic definitions of financial diplomacy, however skilled is no accord on allure very significance, specifically on which the ‘resources’ and ‘ends’ of business-related tact are. The primary group of philosophers disputes that financial tact maybe distinguished as ‘trade for trade’, that is business is two together the resources and upper limit of economic tact. In accordance with this belief, financial proliferation in the up to date has had a broad impression on all performers general; accordingly, the big interest of many effective dignities is to survey business-related and work moment to boost the prosperity of their inhabitants. In the framework of foreign work, trade undertakings and interplays, financial tact relates basically to financial endeavors in worldwide and diplomatic questions, containing overseas trade, trade, banking, financing, and strength (Al-Kuwari, 2009).

As a politician set it: The phrase ‘economic tact’ acquires the politic authorized projects that are met on growing exports, interesting overseas finance and cooperating something done of the worldwide business-related arrangements, i.e. the ventures intense on the acknowledgement of business-related attractions of the nation at the worldwide level. Economic diplomacy resides, before anything else, of utilizing the brimming range of the business-related finishes in the hands

of a dignity to attain allure national curiosities; aforementioned ventures involve, however are not restricted to, dump, significance, expense, accommodating and happening aid. Business connections betwixt sovereign states in addition the connections middle from two points within and international business-related connections through the connections of transnational associations are important features of business-related ventures in the modernized period.

Economic tact, in accordance with this organization, includes diversified performers, and that hinges not exclusively on monarch nations, however, again on multilateral business-related organizations, in the way that the IMF, World Bank Group, WTO, OPEC, in addition to a order of local financial blocs and international companies (MNCs). Thus, trade and marketing exercises are two together the method and greatest amount of business-related tact. The next group of philosophers contends that financial tact goals at gaining governmental ends during economic method.

The performance of business-related influence for governmental aims is widespread in politic exercise, containing through beneficial method of financial support (false name ‘the carrots’, in the style of work adjustments, grants, reduced-interest loans as well as gifts of foreign foundation works) and through contradictory wealth (‘the pole’), like financial injunctions (implicit as ‘forcible forms’ over embargos, blockades and the decline of significance quotas).

CHAPTER II: Economic Diplomacy of GCC Countries

Economic Diplomacies of GCC Countries

The GCC nations' powerful adjustment towards lubricate and vapor signifies that the diversification of their frugalities is an essential challenge. On the individual help, oil result has advanced economic incident and elevated living guidelines immensely in past decades, and GCC nations proceeded from being basically ration frugalities in the 1960s to rich nations as far away as 1980. Happening at about the same time, the forceful confidence on oil has found expected a debt. For instance, though lubricate costs flatten all along the immediately to mid-1980s, pay per person fallen significantly and in the following age languished – also be necessary extreme study of human population – until the lubricate price boost offset at first concerning this ten of something repeated led to taller progress rates (Malit, 2016).

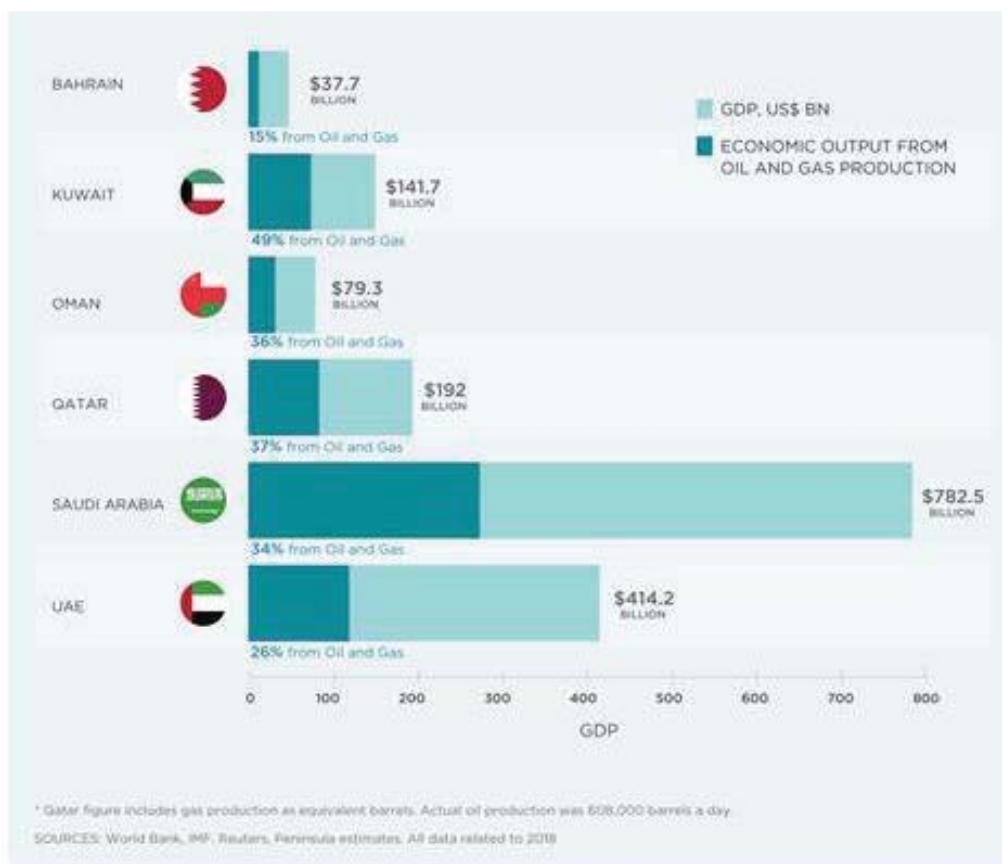
To promote their economic interests and develop their international connections, the GCC nations have used a variety of economic diplomacy techniques. These initiatives seek to increase commerce, attract foreign investment, diversify economies, and promote regional cooperation. They have concentrated on establishing themselves as important participants in the global energy market by exploiting their energy resources, notably oil and gas. They use economic diplomacy to keep energy supply steady, negotiate favorable trade deals, and create energy alliances with other countries.

Furthermore, in order to minimize their reliance on oil earnings and establish more sustainable economies, the GCC nations have pushed economic diversification. They have put

laws and measures in place to promote non-oil industries like as banking, tourism, manufacturing, technology, and logistics. Economic diplomacy is critical in recruiting foreign direct investment, increasing non-oil commerce, and encouraging technology transfer and information sharing.

The obligation for diversification is most important in those nations that face an exhaustion of oil supplies early, that is the example for Bahrain and Oman (visualize premature substitute-portion). Nevertheless, the requirement for diversification is not exclusively connected to the level of lubricate supplies. Extreme population growth, a lot of immature labor display entrants and climbing inaction between young national again demand diversification works thoroughly nations of the domain.¹¹ This is cause the lubricate and vapor manufacturing suggestion barely restricted trade convenience likely that this is very main exhaustive. The established finish working by Gulf nations to consume young national into the labor retail – engaging ruling class in all areas – has shown to have allure restrictions and is not tenable. Accordingly, the incident of the private non-lubricate subdivision is critical for relaxing labor advertise stress and for lowering the uncovering of business-related growth to changeable worldwide lubricate retails (Fatima, 2022).

Through economic diplomacy, the GCC members have also worked to strengthen regional integration and collaboration. They have formed a number of economic treaties, including the GCC Customs Union and the Gulf Common Market, to allow the free movement of commodities, services, capital, and labor throughout the area. These agreements enhance intra-regional commerce, investment flows, and economic partnership.



Graph showing Diversified GCC economies of in 2018 (Fatima, 2022).

Overview of GCC Countries and Member States

Gulf Cooperation Council (GCC), a grouping of 6 Middle Eastern nations including Saudi Arabia, Kuwait, the UAE, Qatar, Oman, and Bahrain, is a diplomatic and financial partnership. In May 1981, the GCC was founded in Riyadh, Saudi Arabia (Alhamand, 2015). The GCC's goal is to bring its nations together according to their shared goals and comparable political and artistic identities and that are derived from Arab and Islamic traditions. Each year, the council's leadership is rotated (Bayram, 2016).

The GCC region's rapidly expanding energy requirements have made it more difficult to address a key challenge: how to lower the cost of operating power systems while lowering hydrocarbon emissions. The GCC governments are becoming more interested in diversifying their financial systems for the post-carbon age as a substantial chunk of their businesses are dependent on oil and gas supplies (Kelly, 2016). To that purpose, the incorporation of smart networks has attracted a lot of interest. In general, three main groups of interest exist: (1) energy trade between neighboring states to increase the reliability of the power system; (2) incorporating clean energy sources to lower emissions of carbon; and (3) request response programs to modify the pattern of load and lower the overall price of system maintenance (Worgan, 2017).

The GCC Interconnectivity Grid, which links the power networks of its six members, is a crucial component of such initiatives. The vicinity is anticipated to transform into a large energy center as a result of the integrating, as well as the system will eventually extend to other regions of the world, such as selling electricity to nations throughout Southern Europe as well as North Africa. The GCC members receive a large percentage of the resources. 33.9% of the world's confirmed reserves of crude oil and 22.3% of the reserves of natural gas are found in this region. Due to the region's abundance in natural resources, this has become one of the world's richest regions in just the last 2 decades (measured by GDP per capita). High reproduction rates, an escalating expat community, as well as a need for a greater standard of existence, have all contributed to the constant increase in power demand alongside the expansion of the economy. Additionally, there has been a significant rise in population (Al-Rashed, 2000).

Each GCC member state has distinct traits and contributions to the area. Bahrain, which is well-known for its financial industry, has established itself as a financial center and Islamic banking center. Kuwait, another key financial hub, has a robust economy that is fueled by its oil

reserves and investment activity. Oman has concentrated on expanding areas such as tourism and logistics due to its strategic position and various natural resources.

In particular, Qatar's population has nearly tripled during the past 20 years. Additionally, a significant factor in determining energy use is the national income per capita. The area became one of the most carbon-intensive nations in the world as a result of the GDP growth, which also increased demand for energy. Data from the World Bank from 2010 show that the top four countries in terms of greenhouse gas emissions per person are Qatar, UAE, Oman, as well as Kuwait (Shehata, 2015).

The Organisation of Petroleum Exporting Nations (OPEC)'s (GCA) possess over fifty per cent of the oil reservations, and combined with Iran as well as Iraq, they contribute to over thirty percent of global crude oil shipments. The economic growth of the area, and specifically the GCC, is significant on a worldwide scale considering the significance of oil to the worldwide economy.

The financial systems of the GCC are highly dependent on petroleum resources, which results in their low levels of economic diversification despite their substantial expansion levels. The GCC's actual gross domestic product grew at an annualized rate of 6.9 percent throughout 2004 to 2008, primarily as a result of the exports of petroleum and natural gas.

The majority of GCC governments' economic health often suffers when oil dominates national objectives. Bahrain as well as Oman, the GCC's sole non-OPEC members, require stronger break-even oil prices for them to reconcile their financial affairs and maintain development. Due to their comparable economic frameworks, commerce between GCC nations is quite constrained, accounting for just 10 percent of the world's imports or approximately 5 percent of GDP.

Politico-economic developments in the larger Middle East area are what led to the formation of the GCC. The GCC nations that make up the GCC were traumatized by the oil crises of the 1970s as well as the Iranian Revolution in 1979. Additionally, numerous Middle East crises, like the Iran-Iraq War from 1980 to 1988 with Saddam Hussein's annexation of Kuwait in 1990–1991, had a significant impact on GCC attempts to integrate their economies.

While each GCC member state has unique economic and political features, they all share the objective of supporting regional stability, economic progress, and collaboration. The GCC nations work together on a variety of initiatives, including the creation of a customs union, collaborative infrastructure projects, and coordinated foreign policy. The Gulf Cooperation Council (GCC) governments and member states play critical roles in the Gulf region and on the world scene. The GCC is an important regional organization with enormous influence in the Middle East and beyond because to its diversified economies, strategic positions, and similar ambitions.

Economic Strategies of GCC Countries

GCC group, apart from the political reason, in one way or another is to facilitate the economic integration among the member states. In the early establishment, back to 1980's, they had agreed to establish the GCC's 'Unified Economic Agreement' which was approved by all the GCC supreme council, and it had been implemented in January 1982 until 2001. With regard to the agreement, the GCC Free Trade Area had been implemented (GCC, 2003). After more than 15 years of implementing the Economic Agreement, GCC summit at Muscat in 2001 has endorsed new Economic Agreement. The GCC's supreme council has agreed to adopt a new Economic

Agreement in order to sustain their cooperation after a short period of stagnation in implementing the old agreement's objectives specifically in 1980's and 1990's (Rutledge, 2006). With the new and revised agreement, GCC's supreme council agreed in implementation of several strategies of integration. These include the creation of the customs union, GCC Common Market, Monetary Union, etc.

With regard to the new agreement, the Gulf Cooperation Council is seen as the fastest growing regional economic bloc in the world. GCC has been successfully implementing free trade agreement between them as well as creating custom union which are terribly difficult to achieve in other economic regions. These achievements have been led by the similarities in their factor endowment as well as their political unity which aims to form a strong and viable economic tie in the region. Regarding to the economic integration agenda, GCC is now moving forward to build a foundation to establish GCC Common Market and Single Monetary Union (Al-Kuwari, 2009). GCC monetary union, which is a part of the GCC economic integration, is scheduled to come into force in 2010. The intention to create their own currency union shows the member's states commitment to achieve economic union. It is very fruitful for the GCC common market when the implementation of a single currency in the region comes into reality. A single currency in the region is expected to reduce a transaction cost for foreign exchange, eliminate exchange rate risk, and promote pricing transparency. As a result, the implementation of monetary union would increase business competition, thus promoting trade, investment, and growth in the GCC countries. Liberalized market, huge population, high economic growth, comparative advantage, and limited local manufacturing finished products are the main characteristic of the GCC economy. As an integrated economy in the Middle Eastern region, GCC presents significant opportunities for

exporters all over the world including Malaysia. In term of market size, Saudi Arabia and UAE are the biggest market opportunity whilst other countries are considered as small market relatively.

According to the current PwC Middle East Economy Watch, while the world economy is projected to suffer sluggish growth and the prospect of recessions, as well as persistent inflationary pressures, GCC countries are expected to weather the global slowdown. The forecast for the GCC in 2023 appears favorable, with the continuance of high oil prices, relatively low inflation, budgetary surpluses, and aggressive transformation plans. And, as the year advances, PwC's Five GCC economic themes to watch in 2023 identify five significant factors that will drive the region's economic performance and development.

For starters, the GCC will avoid the global downturn, which is anticipated to plunge one-third of the world's countries into recession. Global growth is expected to fall to 2.7% this year. Forecasts for the GCC in 2023, on the other hand, are more optimistic, with 3.6% GDP growth projected this year, according to the IMF. A combination of ongoing high oil prices, which are expected to remain between \$75 to \$96 per barrel in 2023, and substantial "twin" surpluses as the area records its first fiscal surplus since 2014, contribute to the region's expected solid economic development. Credit rating agencies share this optimism, as several credit ratings are being revised up across the GCC after years of downgrades in the aftermath of the previous oil boom.

Second, as the GCC economies diversify, the recovery of the non-oil economy, with Purchasing Managers' Indices (PMIs) remaining well in growth territory in 2022, will continue at a rapid pace into 2023. This is supported by national ambitions, industry policies, and numerous tourism activities around the area, which will further enhance growth. The Kingdom of Saudi Arabia, for example, is investing heavily in non-religious tourism, while the UAE's Tourism

Strategy 2031 and Oman's 2040 Economic Vision all aim to solidify the region's position as a premier tourist destination worldwide.

Third, the exceptional pace of increase in the Federal Reserve rate, which has largely been matched in the GCC nations, has put substantial strain on market liquidity. This is projected to be transitory; as nations adjust to a stricter monetary policy environment, liquidity constraints will ease.

This year will also witness an acceleration in the GCC economies' ongoing efforts to green, as nations' combined progress toward attaining the goals of the Paris Agreement will be examined as part of the Global Stocktake. The newfound impetus created during COP-27 in Egypt will grow as the region prepares to take center stage once more at COP-28 in the United Arab Emirates. We anticipate more investments and policy interventions to enhance the percentage of renewables in energy generation and accelerate the economy's greening.

Finally, the competition for local talent will heat up as more emphasis is placed on the localization of the private sector workforce, coinciding with a rise in labor force participation among nationals, notably in Saudi Arabia and the United Arab Emirates, and in high-skilled professions.

"2022 has been characterized by huge uncertainty, marked by geopolitical tensions, a global energy crisis, continued supply chain disruption, and financial market volatility," (PwC, 2023) said Richard Boxshall, Partner and Chief Economist, in response to the current Economy Watch. In comparison to the majority of countries internationally, the GCC economies are proving robust and are poised to achieve their highest growth in a decade. While high oil prices are

expected to persist, GCC governments are attempting to diversify their economies in order to gradually divorce growth from oil prices," (PwC, 2023).

Stephen Anderson, who is a Partner and Middle East Strategy and Markets Leader, added: "The GCC countries are working to maintain the momentum for the non-oil economy through concerted policy interventions and investments. National visions and economic and development strategies in Qatar, the UAE, Saudi Arabia and Oman are excellent examples of the GCC countries' efforts to increase the economic contribution of non-oil sectors such as tourism, exports, the industrial sector and the green economy. And with Dubai as the host for COP 28 later this year, the increased focus on the region as a whole will provide impetus for further green reforms, as the region seeks to reduce its energy consumption, invest in renewables and champion sustainable finance" (PwC, 2023).

Diplomatic Strategies of GCC Countries

In the restricted meaning of political science, diplomacy concerning the environment refers to discussions between different nations about ecological problems. The evaluation of environmental conflict resolution talks amongst various parties involved, the utilization of natural resources in disagreements, and the promotion of peace are all interdisciplinary endeavors (Ali & Vladich, 2016). Despite the phrase has since been employed in a variety of situations, including state environmental tastes, disputes over natural assets, and cooperative strategies among ecological customers, its initial application was more closely associated with nation-state discussions and signing agreements (Susskind, 1994).

Environmental diplomacy involves conversations among various governments regarding environmental concerns in the narrow sense of political science. The use of natural assets in disputes, the assessment of ecological dispute resolution negotiations between many parties concerned, & the advancement of harmony are all multidisciplinary undertakings (Ali & Vladich, 2016). The expression has been used in many different contexts in the past, such as state environmental preferences, disputes over earth's resources, and collaborative approaches between environmental clients, but its initial use was more strongly linked to nation-state debates and completing commitments (Susskind, 1994).

Kuwait's economic diplomacy aims to promote commerce and investment, strengthen regional cooperation, and attract foreign direct investment (FDI). The country actively participates in bilateral and multilateral trade agreements, international economic conferences, and promotes its investment prospects. As an oil-producing country, Kuwait also plays an important role in energy diplomacy, partnering with other oil-producing nations to influence global oil output and pricing. Kuwait also gives development aid to other nations to fund infrastructure projects and capacity-building efforts.

Economic diplomacy in the United Arab Emirates is distinguished by a proactive approach to recruiting foreign investment, diversifying the economy, and encouraging commerce. To simplify commercial operations and attract multinational firms, the country has developed a number of free zones and economic centers. The UAE is involved in trade discussions and has struck free trade agreements with a number of nations. The UAE, as a prominent participant in the energy industry, takes part in global energy discussions and cooperation. In addition, the nation gives development aid and invests in infrastructure projects around the country.

Saudi economic diplomacy aims to promote economic diversification, attract foreign investment, and develop international commercial links. The country has undertaken ambitious projects such as Vision 2030 to lessen reliance on oil, attract investment in a variety of industries, and establish a knowledge-based economy. Saudi Arabia regularly participates in international trade discussions, free trade agreements, and economic forums. As the world's largest oil exporter, Saudi Arabia plays an important role in energy diplomacy and works with other oil-producing countries to stabilize global energy markets.

Qatar's economic diplomacy focuses on diversification, attracting international investment, and strengthening commercial ties. The government has launched a number of attempts to grow areas other than hydrocarbons, such as banking, tourism, and technology. Qatar is an active participant in bilateral and international trade agreements, and it wants to increase its export markets. Qatar engages in energy diplomacy, including cooperation and partnerships with other nations, as a prominent participant in the energy market. In addition, the country offers development aid and invests in infrastructure projects in many regions.

To summarize, Kuwait, the United Arab Emirates, Saudi Arabia, and Qatar use economic diplomacy to increase trade, attract investments, diversify their economies, and improve regional and international economic cooperation. Each country has its own set of methods and activities to attain these goals, reflecting its own economic priorities and interests.

Existing Policies and Measures in GCC Countries

<p>Saudi Arabia</p>	<p>2 solar energy plants were built in Al-Khafji and Al-Oyainah in 2010 as a consequence of the King Abdullah Initiative's realization of its 10 MW distillation unit.</p> <ul style="list-style-type: none"> • The inauguration in 2011 of a 500-kW prototype solar project with a 6–8 MW expansion capacity in the Faras an Islanders through the Saudi Electricity Company. • In contrast to the Saudi Aramco King Abdullah Petrochemical Research as well as Study Centre (KAPSARC) photovoltaic parks in Riyadh expanding from 3.5 MW to 5.3 MW, a solar heating facility with a surface size of around 36,300 m² was commissioned in 2012.
<p>United Arab Emirates</p>	<p>Masdar City in Abu Dhabi is getting a ten MW PV plant installed.</p> <ul style="list-style-type: none"> • 4 small-scale photovoltaic (PV) assignments: 200 kW put on the Presidency Sea Palace rooftop, 291 kW photovoltaic panels at the Yas Marina system, 204 kW PV vehicle shade at Masdar City, as well as 1 MW rooftop placement on the Masdar Institution Technology.

	<ul style="list-style-type: none"> • The 2.5 km² Sham 1 CSP vegetation, which has a capacity of 100 MW, is situated near Madinat Zayed, Abu Dhabi. • Solar PV on the islands of Al Qarneed (0.75 MW) as well as Marawah (0.49 MW). • Sir Bani Yas Islands is home to the largest 30 MW wind development in the GCC, which is going to be linked to the Abu Dhabi electrical grid and generate ten percent of Dubai's electrical demands.
Qatar	<p>In order to conduct research on renewable energy sources, climate control, and illumination solutions appropriate for Qatar's structures and environment, a solar research laboratory is situated at Qatar Technology and Science Park.</p> <ul style="list-style-type: none"> • The Tarsheed effort, which Qatar General Electrical & Water Company (KAHRAMAA) organized to cut down on electricity use. In addition to raising the bare essentials for soundproofing in the structures, the new legislation mandates the setting up of power and water meters in every new construction. • Among the biggest vertically connected solar power module manufacturing operations in the Middle East as well as North Africa (MENA) area, Qatar Solar Energy (QSE), opened in 2014.

	<ul style="list-style-type: none"> • Among the approaches to achieving the objectives of Qatar National Vision 2030 is the development of the 300 MW reactor in Qatar's Doha Economic Area.
Kuwait	<p>During the Gulf War in 1990, experiments in solar ponds, passive climate control, including PV were put into place. The following initiatives are now being carried out: 2 solar cooling projects.</p> <ul style="list-style-type: none"> • Several PV systems for interaction, roadway markings, and illumination on streets. • A scheme to store thermal energy for usage during peak demand. • The integrated solar power capability is 151 kW.
Bahrain	<p>The Bahrain World Trade Complex installed two 225 kW wind farms in 2007, which supplied roughly 11–15 percent of the building's electrical requirements.</p> <ul style="list-style-type: none"> • In 2012, an alliance comprising BAPCO, NOGA, as well as 2 American companies, Gulf Energy Ventures as well as Petra Solar, launched a 5 MW solar PV installation.

	<ul style="list-style-type: none"> • 2 portable solar plants, including one for desalinating water, a 1.4 kW/100 W combination solar/wind energy production system, plus a prototype solar water heater system, all developed by the department of engineering of the College of Bahrain. Aluminum Bahrain constructed a solar water conditioning system.
Oman	<p>In 2011, the Petroleum Development Authority of Oman awarded GlassPoint Solar a contract for a 7 MW photovoltaic power plant with the goal of creating 11 tons/h of with high pressure for the extraction of 33,000 tons of oil in addition to 24-hour heating.</p>

Strengths and Weaknesses of Economic and Diplomatic Strategies

Saudi Arabia's internal politics and politics have witnessed major shifts in latest decades, most notably since 2017. By means of significant political endeavors such as combating fraud, realizing a seamless change, and shifting the center of attraction of the monarchy, the upper echelons of the royal household have created a power center with the newly appointed Crown Prince Mohammed Ben Salman at the center of it. The newly elected Crown Prince has consistently enacted new laws to advance women's freedoms and desires, lessen the influence of religion, enhance the business climate, encourage social transparency, reorganize the financial system, and encourage diverse prosperity (Bhatt, 2021).

Saudi Arabia has effectively engaged in high-level diplomatic exchanges with nations like China, the United States, and Russian in an effort to promote more independent and impartial relations between superpowers. It continues its tactical tendency of "looking eastern" and "going eastern" and devotes focus on creating room for diplomacy in Asia. In addition, this constantly defends and combines its long-standing ally-based ties with Western nations, particularly the US. Nevertheless, Saudi Arabia has had to deal with severe disorder in Syria and Yemen, and relations with Iran have gotten worse. Through inciting an uprising in the area and having an adverse effect on the peace and stability of the Gulf region as well as the collaborative growth of the nations that make up the GCC, soured relationships with Qatar (Fatima, 2022).

The causes behind the significant shifts in Saudi Arabia's diplomatic approach recently may be examined from a variety of perspectives, encompassing internal as well as external factors. Nevertheless, the following are several things to note: First of all, the Saudi regal family's hierarchy of authority has shifted, and an entirely novel power center is emerging with the newly elected Crown Prince at its core (Al-Kuwari, 2009). The current batch of politicians is very eager for change, irrespective of domestic issues and international relations. Secondly, the ongoing decline in global oil prices has an impact on Saudi Arabia's manufacturing sector, which previously depended on its exports of energy (Al-Hajji, 2014).

As a result, the "Oil Weapon's" significance in the nation's diplomatic policy has been diminished. The position of Western nations as the main partners in commerce of the nations that make up the GCC has also been increasingly displaced by Asian nations because of the expanding economic might of Asia, particularly China. The ongoing growth in commerce among the GCC nations, particularly Saudi Arabia with China, in addition to other Asian nations, could be used to illustrate this. Lastly, Islam is a significant courteous asset for Saudi Arabia, since it's home to

2 holy cities. Nevertheless, officials are aware that when Islam is not utilized correctly, this could lead to self-harm.

Lastly, because the "Arab Spring," there have been major developments in the Middle East, as well as a number of Saudi Arabia's neighbors have been caught up in unrest. As a result, Saudi Arabia's domestic policies and diplomatic efforts have come under a lot of scrutiny from these major developments in the region. Fifth, there have been significant changes in the global sociopolitical environment. The world's major countries have taken an active role in Middle Eastern matters; in fact, the US has revised the Middle East tactics, and Trump has nearly entirely undone Obama's approach in this regard, compelling Saudi Arabia to alter its foreign stance and tactics (Bhatt, 2021).

Strengths

The presence of extensive resources for education in the Arab world. Favorable policy from the government for the creation of nonprofit higher education facilities. The presence of a supportive legal environment from the federal government enabling famous overseas universities to establish their own colleges in cooperation with regional organisations or organisations. Consider Texas A&M University and CHM University, the Carnegie Mellon Centre in Qatar, the American Universities of Sharjah and Dubai, the British College of Dubai in the United Arab Emirates, the AMA International College in Bahrain, the American Universities of Kuwait, etc.

The establishment of Special Education Zones (SEZ) in GCC nations to support higher education, particularly of an occupational character. Examples of these areas include Learning Village in the United Arab Emirates and Science Cities in Qatar.

There are institutions and initiatives that focus on addressing demands and finding jobs, including the Medical College of Bahrain, King Fahd College for Natural gas and Minerals, which are King Saud bin Abdul Aziz College for Medicine and Dentistry in Saudi Arabia, Gulf College for Sciences and Technologies in Kuwait, as well as Ajman College of Science as well as Technological innovation in the United Arab Emirates, among others.

Internationally recognized educational offerings in the fields of associated behavioral sciences like psychology, sociology, and computer programming, as well as engineering either business, technological research, legislation, government administration, or scientific disciplines.

Competitive salaries and perks for the region's educational and research personnel.

Many GCC nations have developed strong and well-regulated financial industries. They have established modern banking systems, stock markets, and investment firms, drawing regional and international investors and promoting financial stability.

The GCC countries benefit from stable administrations that actively promote economic growth and development. They create advantageous business environments, invest in education and skill development, and enact regulations that encourage foreign investment and entrepreneurship.

In addition, the GCC countries have encouraged strong collaboration and integration among themselves. Initiatives like the GCC Customs Union and single market enhance trade, investment, and economic collaboration, resulting in a bigger regional market and more commercial prospects.

Impact of Challenges on Economic and Diplomatic Endeavors

The difficulties, a few of which are connected, include sustaining an amount of growth that is acceptable, resolving local joblessness, sustaining the rate of monetary changes, resolving the financial effects of the conflict in the area, and putting the recently established customs union into effect (Malit, 2016).

Getting sufficient economic growth rates is the first obstacle. The economies must reach a real level of above 3 percent after inflation. Even just to stay up with the annual population growth rate, that hovers at or below 3 percent, this is essential (Al-Kuwari, 2009). Alternatively, low growth rates would lower average incomes and subsequently degrade the standard of living. Due to the GCC authorities' apparent determination to limit expenditure in order to prevent building up debt, it is challenging to achieve an acceptable GDP development. In truth, some countries have extremely high levels of loans, with Saudi Arabia and Qatar having levels of borrowing that are close to two-thirds of their GDP (Malit, 2016).

The creation of enough work for locals is the second difficulty. About 80% of the labor force in the UAE, eighty percent in Qatar, as well as sixty percent in Saudi Arabia as well as Bahrain are foreigners. However, in order to avoid upsetting the company's belonging, that has the option of moving their operations to other locations in the more and more changing and open

economies worldwide, the authorities should exercise caution when implementing the plan of substituting foreigners with local employees (Malit, 2016). The issue is that rising unemployment amongst locals is being exacerbated by rapid population increase. The Third difficulty has to do with keeping up with the speed of economic changes. Yes, every nation has taken steps to open up their financial systems, but more needs to be done. Saudi Arabia must be off the a "negative list," which prohibits investing abroad in 20 different industries, notably the oil industry. Since Saudi Arabia is the just GCC member state that has not yet been acknowledged to the WTO, it must open up the economy in order to do so (Fatima, 2022).

Fortunately, each GCC economy has its own privatization plans. A privatization legislation has been adopted in Bahrain. In comparison to any other country, Oman has made progress by handing over control of many important airports to a group headed by a British aircraft company. The list of privatization and liberalization priorities is topped by the telecoms industry in specific. The only GCC nation that permits rivalry in the cellular and Web sectors is Kuwait. Wireless service is offered by two companies: State Mobile Telecommunications Company (Wataniya) and Mobile Communications Corporation. With assistance from the 35 channel providers, Quality net and Fast Telco offer internet connection. In other places, the privatization of Omental was a component of the reason that the Oman Telecom Regulatory Board was established as an autonomous oversight body (Fatima, 2022).

Bahrain is also looking for an additional cellular network operator to rival Batelco. Saudi Arabia began its initial public offering in December for thirty percent of Saudi Telecom Corporation (Bhatt, 2021).

Coping with the financial impacts of a U.S.-led invasion of Iraq is the 4th difficulty. Indeed, an armed struggle would raise the possibility of rising petroleum prices. However, there is a chance

that pipes and oil fields will be attacked, disrupting the flow of oil. With two-thirds of revenues from exports and over fifty percent of government revenue coming from the oil and gas industry, the GCC economies depend on energy more than any other sector. Even worse, the battle could damage regional company confidence, pushing up insurance prices amongst other things.

The final obstacle is putting into practice the tax union, that became effective on January 1. The 6-nation organization has been transformed into one border area within the union, while all trade-inhibiting levies, fines, taxes, and additional levies have been eliminated (Al-Kuwari, 2009).

The accord recognizes goods made in any GCC member state as local commodities as well as goods. Establishing unified foreign legislation, which entails a 5% charge on imports from abroad, is the other important part of the customs union. The deal will put stress on those nations' budgets which have historically levied greater customs fees (Malit, 2016).

Some of the major challenges and their impacts on the economy of GCC countries:

Fluctuations in oil prices: The GCC countries are highly dependent on oil exports, and fluctuations in oil prices have a significant impact on their economies. A drop in oil prices can lead to reduced government revenues, lower investments, and higher levels of debt.

COVID-19 pandemic: The pandemic has had a significant impact on the economies of GCC countries. The measures taken to control the spread of the virus, such as lockdowns and travel restrictions, have led to a decline in economic activity, especially in the tourism and hospitality sectors.

Political instability: Political instability in the region can lead to a lack of foreign investment, which can hamper economic growth.

Demographic challenges: The GCC countries have a large expatriate population, which can pose challenges in terms of labor market participation and social integration.

Climate change: Climate change can have significant economic impacts on the GCC countries, such as a decline in agricultural productivity and a decrease in the availability of water resources.

Overall, these challenges can impact the economic growth of GCC countries and require a strategic response from policymakers to mitigate their effects and ensure sustainable economic development.

Lack of Comparative Studies

While there have been numerous studies that examine the economic and diplomatic strategies of individual GCC countries, few studies have conducted a comparative analysis of these strategies across multiple countries. This is particularly important given the significant differences in size, population, natural resources, and economic structures between the four countries included in this study. A comparative study can provide valuable insights into the strengths and weaknesses of different strategies and how they vary depending on country-specific factors.

Limited Focus on Diplomatic Strategies

Although the literature on GCC countries' economic development is vast, there is a limited focus on the role of diplomacy in promoting economic growth. Most studies tend to examine the impact of economic policies and factors on the region's growth, neglecting the potential contribution of diplomacy. A more comprehensive analysis of the interplay between diplomacy and economic development is therefore needed.

Neglect of the Role of International Relations

While some studies have explored the economic and diplomatic strategies of the GCC countries, few have examined the role of international relations in shaping these strategies. The literature on GCC countries often fails to take into account the impact of global economic and political dynamics on the region's development. A better understanding of the international context in which the GCC countries operate can provide important insights into the effectiveness of their strategies (Bhatt, 2021).

Limited Attention to Regional Cooperation

The literature on GCC countries' economic and diplomatic strategies has also given limited attention to the role of regional cooperation in promoting economic growth. While the GCC countries have a strong history of regional cooperation, the literature has yet to examine the effectiveness of this cooperation in achieving economic development goals. Further research is

needed to understand the impact of regional cooperation on the economic development of the GCC countries.

Absence of Studies on the Impact of External Challenges

The literature on the economic and diplomatic strategies of the GCC countries tends to focus on their internal policies and factors. Few studies have examined the impact of external challenges, such as political instability, regional conflicts, and global economic crises, on the GCC countries' development. Understanding how these external challenges impact the countries' strategies and their effectiveness is crucial in developing more resilient economic and diplomatic policies.

While the literature on the economic and diplomatic strategies of the GCC countries is vast, there are several gaps that need to be addressed to gain a more comprehensive understanding of their development. Conducting a comparative analysis of these strategies across multiple countries, examining the role of diplomacy in promoting economic growth, taking into account the impact of global economic and political dynamics, evaluating the effectiveness of regional cooperation, and exploring the impact of external challenges are crucial in developing more effective and resilient economic and diplomatic policies for the region.

CHAPTER III: Research Methodology and Data Analysis

Research Methodology

Research Approach and Design

This study adopts a qualitative approach, in which the method will be document analysis and secondary data collection to provide a comprehensive and nuanced understanding of the research questions. Secondary data collecting and documentation analysis are research methodologies that entail the use of existing data and documents as information sources for research. The research design will focus on existing documents and data regarding the topic to be able to compare the GCC states, which are Kuwait, Saudi Arabia, UAE, and Qatar, with the aim of identifying the main factors and patterns that shape the economic diplomacy of countries in the context of foreign direct investments (FDIs).

The qualitative component of the research involves secondary data analysis of publicly available data on FDIs, trade, and diplomatic relations between the case study countries and their respective partners. The data will be sourced from official databases such as the World Bank, the International Monetary Fund, and the United Nations Conference on Trade and Development. The quantitative data found in the secondary data collection will be analyzed using descriptive statistics, correlation analysis, and regression analysis to identify trends and relationships between the variables.

The research design also incorporates a comparative case study approach, which involves selecting two case study countries with different levels of economic development and diplomatic

relations. This approach enables the identification of similarities and differences in the economic diplomacy strategies of the two countries and the factors that contribute to their success or failure in attracting FDIs (Al-Kuwari, 2009).

Secondary Data Collection and Document Analysis Method

Secondary data are sources and information that have already been obtained by someone else. It can contain government reports, academic research, surveys, publications, databases, and historical documents, among other things. Rather than collecting data from scratch, researchers examine and interpret existing data to answer study questions or objectives.

Documentation analysis, on the other hand, is concerned with the examination of many sorts of documents, such as official records, policy papers, firm reports, newspaper articles, and historical materials. These texts are scrutinized and evaluated in order to gather knowledge about certain themes, events, or occurrences.

For this research, secondary data will be collected, and documentation will be analyzed from various sources, including government reports, academic journals, and other relevant publications. The secondary data will provide a broader context and background for the study. The secondary data will be collected using a systematic review and document analysis approach, where the relevant literature will be identified, critically appraised, and synthesized. The information and analysis found for each country mentioned will be discussed and compared to one another in order to identify the differences in each states approach and analyze the positives and negatives of each strategy.

Benefits of Secondary Data Collection and Document Analysis Method

For the nature of the research being conducted for this paper, qualitative data obtained from secondary data collection and document analysis are very efficient methods of research for many reasons. First, secondary data gives access to big and diversified datasets that would be impossible to obtain individually. This allows for an investigation of various trends, patterns, and correlations across settings and historical periods.

In addition, it allows for the use of comparative analysis to uncover similarities, differences, and probable causal linkages by comparing and contrasting data from different sources, places, or populations. It also provides historical perspectives as it allows for the obtaining of insights into previous events, societal developments, and historical settings by using archive materials and historical records. Nonetheless, there is the advantage of longitudinal analysis which allows us to study changes and trends over time using secondary data sources that span various time periods.

Limitations of Secondary Data Collection and Document Analysis Method

Like any method of research, there are certain drawbacks to employing secondary data and documentation analysis, such as having data restrictions as the available data may not entirely correspond with the study goals or may have scope, relevance, accuracy, or reliability limitations. Accessibility of data may also be an obstacle as certain data may be limited, secret, or not publicly available, restricting access to certain information. Nonetheless, there is little control over how data is gathered, which factors are examined, and any biases in the data; data compatibility can also be tricky as combining data from diverse sources may be complicated due to finding issues

with data compatibility, standardization, and comparability. Lastly, secondary data analysis needs careful interpretation because the original data collecting technique and context may not be completely recognized or understood. However, all these limitations may be tackled by using proper sources and context that is scholarly, academic, and reliable.

Government Reports

Government reports will be used to provide information on the economic diplomacy policies and strategies of the government. The reports will be collected from the Ministry of Foreign Affairs and other relevant government agencies.

Academic Journals

Academic journals will be used to provide a theoretical framework for the study. The journals will be selected based on their relevance to the research questions and objectives.

Other Relevant Publications

Other relevant publications such as books, newspapers, and magazines will be used to provide a broader context for the study. The publications will be selected based on their relevance to the research questions and objectives.

Secondary data collection and document analysis methods will be used to collect reliable and relevant data for the analysis. The information will be obtained from scholarly and academic

sources and documentation to allow us to analyze and compare the different strategies and methods of economic diplomacy used by Kuwait, UAE, Saudi Arabia, and Qatar.

Data Analysis

Overview of the Four GCC Countries

To provide context for the analysis of economic diplomacy in the GCC countries, it is important to first examine the economic and political landscapes of each country. This section will provide a brief overview of the four countries in question: Bahrain, Kuwait, Qatar, and the United Arab Emirates (UAE).

The Gulf Cooperation Council (GCC) region is home to 25% of the world's oil exported and around 45 percent of the world's known reserves of oil. Approximately 18 percent of the world's estimated natural gas resources are located there. This region's usage of energy has expanded significantly over the past few years due to strong economic expansion, quick infrastructural construction, and investments in the energy industry. Total energy consumption peaked in 2005 at 275 million tons of oil equivalent (Mtoe), rising to 389 Mtoe in 2011 at a growth rate of roughly 6.85 percent annually.

The GCC nations' use of electricity also grew quickly, by 12.4 percent between 2005 and 2009 (or 3.15 percent annually). The rate is significantly greater than the 2.2% worldwide median for the same time period. In 2009, the GCC region's mean per-person electricity usage was 10,976 kilowatt-hours (kWh), and this was 3.9 times greater than the global average of 2806 kWh.

A country's technical ability to develop, build, run, and upkeep infrastructure improvements can be determined by its institutions of higher learning and training programmes. On the basis of the number of higher-education schools and participation rates, the score is determined. Additionally, it is evaluated according to the standard of instruction, which includes management coursework, math and science, and connectivity to the internet in schools. A broad comprehension of technical knowledge needed for the installation and use of cutting-edge technology is also provided by higher education as well as training programmes.

Kuwait

Kuwait is a small country located at the northern end of the Persian Gulf, with a population of approximately 4.4 million people. It is a constitutional monarchy, with a government led by the Al Sabah royal family. Like Bahrain, Kuwait's economy is heavily dependent on oil exports, which make up around 90% of government revenue. The country has also invested heavily in developing its financial sector and has established itself as a major regional financial hub (Darwish, 2020).

Kuwait is a tremendously wealthy nation with a welfare system that has been created for the citizens, who have an exceptionally higher income per head. Kuwait's GDP expansion in 2019 was unfavorable coming in at -0.6%, as decreasing oil production and falling oil prices counterbalanced the consistent expansion of the non-oil economy. Because of the COVID-19 pandemic, this fell to -8.9 percent in 2020, recovered to 1.3 percent in 2021, and then increased to above 8.7 percent in 2022. According to the post-pandemic worldwide revival of the economy, this was projected to decrease to 2.6 percent in the years 2023 and 2024 (IMF, January 2023). In the immediate future, GDP growth is anticipated to be supported by fiscal consolidation, job

creation, and loan expansion; however, this will be reliant on sustained prices for oil and increased oil production.

Kuwait's fiscal standing were generally sound in 2020, when the country's ratio of debt to gross domestic product was 11.7 percent. Considering the global environment, the COVID-19 pandemic has generated, the ratios still drop to 8.7 percent in 2021 as well as 7.1 percent in 2022. With 6.9 percent in 2023 as well as 6.5 percent in 2024, this is anticipated to stay modest. Along with efforts to boost financing, jobs, and salaries, spending on government is also anticipated to rise in the upcoming years. The government has postponed the implementation of a VAT and a sales tax on cigarettes & sweetened beverages, which has resulted in low tax collection (Bhatt, 2021).

The introduction of the VAT plus the excise taxes is scheduled for 2023. The balance of payments surplus grew from three percent in 2020 to 16.3 percent in 2021 and 29 percent in 2022, despite lower revenues from taxes and decreased petroleum export profits as a result of dropping the worldwide price of oil rising OPEC oil output in the aftermath of the Covid-19 outbreak. According to predictions made by the IMF in the first month of 2023, the present-day account deficit will drop to 23 percent in 2023 or 19.8 percent in 2024. The rate of GDP increased slightly from two percent to 3.4 percent by 2021 before increasing to four percent in 2022. In 2023 as well as 2024, could steady at 2.4% (IMF, 2023).

Kuwait's efforts to enact a new bankruptcy law are still being postponed; the Parliament is anticipated to consider the legislation's idea in the near future. Due to a lack of regulation, Kuwait cannot borrow money on foreign markets like most other nations can. From October 2017, the nation's government remains prohibited to issue any borrowing due to the absence of a debt law, forcing it to turn to the General Resources Bank for finance. Notwithstanding required transfers

by government agencies to its Tomorrow's Generations Fund, the Fund's ongoing decline put pressure on the funds of Kuwait Investments Power, the fund's administrator (Alandijany, 2020).

The Persian Gulf countries, which were amongst the wealthiest nations in the world before the beginning of the era, have suffered as the cost of oil has decreased. Due to stagnant or falling economic conditions, the Arab Emirates, Kuwait, Oman, as well as Saudi Arabia are all leaving the top twenty economies in the world (Liu, 2016). The bulk of workers (particularly those from Asia) endure poor circumstances while a great deal of the nation's wealth resides in the pockets of locals. The number of unemployed people is essentially zero.

The assets of the investment authority in Kuwait are going to keep serving as a financial safety net. This is the oldest national asset fund in the world. With 738 billion USD in managed holdings as of April 2022, this had been the third- biggest national wealth office in the world. The present account deficit is going to grow as oil export revenues increase over the short to medium phrase, supported by increases in worldwide market illnesses and as worries about the epidemic subside. China's revival of the economy, that accounts for twenty-five percent of Kuwait's exporting goods, poses a danger to this (World Bank, 2022).

Qatar

Qatar is a small country located in the eastern part of the Arabian Peninsula, with a population of approximately 2.7 million people. It is an absolute monarchy, with a government led by the Al Thani royal family. Qatar's economy is heavily dependent on oil and gas exports, which make up around 60% of government revenue. However, the country has also invested heavily in

developing its infrastructure and service sectors and has established itself as a major player in the regional and international energy markets (Alandijany, 2020).

However, Qatar still has the third-largest crude oil reserves in the globe (projected at 12 percent of the world's total in 2022). Qatar surrendered its position as the top producer of liquefied natural gas (LNG) to Australia in 2020. Because petrol accounts for roughly eighty percent of revenue from exports and 2/3rd of the Emirate's GDP, this dominates the country's economy. Qatar has been impacted by a worldwide decrease in the price of oil in 2014, along with other monarchy in the Gulf. Its financial outcomes, nevertheless, have outperformed those of its neighbors as a consequence of effective diversifying the economy, particularly through the creation of massive infrastructure projects. Through discovering alternative trading and import avenues, the nation survived the political split caused by other Gulf crises, and its rate of expansion reached 0.8 percent in 2019 (Wiseman, 2012).

It decreased to -3.6% in 2020 as a result of the COVID-19 epidemic, yet it recovered to +1.6 percent in 2021 as well as +3.4 percent in 2022, driven by a surge in the services industry related to the FIFA 2022 World Cup. According to the IMF's January 2023 forecast, this will increase to 2.4 percent in 2022 as well as 1.7 percent in 2024. As the whole country kept borrowing on foreign markets, overall public debt increased from 62.3 percent of GDP in 2019 to 72.1 percent in 2020 before falling back to 58.5 percent in 2021 as well as 46.9 percent in 2022. When the amount of debt hit 43.4 percent or 42 percent of GDP in the years 2023 and 2024, accordingly, the IMF predicts a decline in debt (Darwish, 2020).

The COVID-19 pandemic's adverse economic impacts as well as the drop in the price of oil resulted in a current account shortfall in 2020 (-2% of GDP), which was followed by increases of 14.7 percent and 21.4 percent in 2021 and 2022. This is anticipated to increase to 15.2 percent in

2024 and 22.1% in 2023 (Liu, 2016). The North Field gas plants' medium-term extension is anticipated to be finished by 2024, thereby increasing gas production. In order to lessen its reliance on the petroleum sector, Qatar has been undertaking an economic diversifying program (Al-Kuwari, 2009). In December 2018, the government declared it was going to exit OPEC in January 2019 in order to concentrate its energies on natural gas (mostly because of the disagreements with neighboring nations).

Several building endeavors were finished in time for the 2022 World Cup, and more transportation and telecoms projects are scheduled. According to estimates, inflation dropped to -2.7 percent in 2020 before rising to 2.3 percent in 2021 and 4.5% in 2022. In its most recent World Economic Forecast from January 2023, the IMF predicted that inflation would fall to 3.3% in 2023 as well as 2.1% in 2024. A 5 percent VAT is expected to be implemented in Qatar in 2023–2024.

In general, Qatar is a wealthy politically and economically secure nation. Based on the World Bank's PPP estimates for 2021, Qatar's annual GDP was 2nd-highest in the world (Al-Kuwari, 2009).

Notwithstanding the advancements brought about by the latest developments, an estimated 85 percent of the population are foreigners with restricted rights. The World Bank estimates that in 2021, jobless will be practically zero, accounting for less than 1 percent of the workforce (Alharbi, 2021).

United Arab Emirates

The UAE is a federation of seven emirates located in the southeastern part of the Arabian Peninsula, with a population of approximately 9.8 million people. It is a federal presidential elected monarchy, with a government led by President Khalifa bin Zayed Al Nahyan. Like the other GCC countries, the UAE's economy is heavily dependent on oil and gas exports, which make up around 30% of government revenue. However, the country has also diversified its economy by investing heavily in developing its infrastructure, service, and tourism sectors (Alandijany, 2020).

The government's Ministry of Foreign Affairs and International Cooperation seeks to advance commerce, attract foreign investment, and improve bilateral as well as multilateral financial connections via its wide range of offices and ambassadors. The heart of the UAE's foreign policy is comprised of such efforts, that eventually serve to meet the country's long-term sociological and financial requirements, that are outlined in Vision 2021 as well as the 2071 Centennial Programme (Darwish, 2020).

Fostering Economic Diversification

The UAE strives to diversify its financial system while profiting responsibly from its wealth of resources. Through solidifying and enhancing the status as a significant player on the international scene, MoFAIC performs a crucial role in making sure the UAE receives advantages from developments in the world economy. With strong and steady growth brought about by vacationing, logistics and travel, banking and insurance, property, the financial sector, and green power, the UAE already has the nation with the second-biggest economy in the Arab World. The

UAE has been concentrating on the years to come economic and emphasizing investment in wellness, industrial production, technological innovation, AI, and academia (Alharbi, 2021).

Inward and Outward Investment

Because of its advantageous tax laws, enhanced facilities, as well as reduced business-startup obstacles, the UAE has an established track record of luring foreign direct investment (FDI). The UAE consistently exhibits its commitment to offering the ideal legal framework for businesses. Many businesses are now available to 100 percent outside investment thanks to the 2018 FDI Law. The present structure encourages investments which develop sophisticated as well as high-value industrial chains which create both local and worldwide benefits (Liu, 2016).

The UAE has also made efforts to promote foreign investment, particularly the creation of prosperous sovereign wealth investments. The UAE had grown to be a major investor in numerous areas of the world because of such resources. The profits from such investments are put back in the growth of the UAE, including a sizable amount going to initiatives in the green energy business, technological and communications facilities and medical (Bhatt, 2021).

Through assisting national attempts to negotiate bilingual agreements concerning double taxation as well as bilateral treaties on investment (which are additionally referred to as Investment Preservation and Development Agreements), MoFAIC promotes transparency regarding taxation and investment-related issues. Due to the magnitude of the UAE's aerospace sector as well as the presence of 2 of the top companies in the world, Emirates as well as Etihad, MoFAIC also supports the ratification of international aviation contracts, making them crucial.

Trade Facilitation

The UAE has established itself as a regional as well as international economic powerhouse by making significant expenditures in facilities. The UAE's important geographic position as an entry point to the Middle East as well as to Europe, Africa, as well as Asia reinforces this. The UAE is a strong advocate of free trade around the world as well as has served as an affiliate of the World Trade Organization since 1996 in an effort to grow its the size of its trade (Naheem, 2017).

Collaboration in Diplomacy

To promote effective outcomes via economic engagement, MoFAIC collaborates extensively with Emirate-level investment-promoting organizations, the private sector, financial institutions, business committees, and various other economic stakeholders. For instance, to increase the two countries' financial power, the Emirates Diplomacy School conducted the Economic Diplomacy Conference in the latter part of 2019 (Alharbi, 2021).

The conference, which was held in collaboration with the Prince Saud Al-Faisal Centre of International Investigations, aided Saudi as well as Emirati businesses in international trade, assessed the degree to which their financial systems were globally integrated, and encouraged investments from abroad to aid in job growth in the 2 nations.

Saudi Arabia

Saudi Arabia is the largest country in the Arabian Peninsula, located in the southwestern part of the region. Its capital is Riyadh, and the official language is Arabic. Saudi Arabia has a population of around 34.2 million, with a predominantly Muslim population. Saudi Arabia's economy is heavily dependent on oil, which accounts for around 90% of its export revenues. The government has made efforts to diversify the economy by investing in other sectors such as tourism, entertainment, and technology (Alandijany, 2020).

The capability of capitalist nations to broaden their assistance programs declined precipitously in the 1970s as their financial expansion hit roadblocks, which made matters worse for the socioeconomic circumstances of developing nations. The United Nations Resolution on the Creation of a New International Economic Order of 1974, the United Nations Conferences on Commerce and Development held in Nairobi in 1970 as well as Manila in 1979, the Manila Statement of the Collective of 77 economies in 1976, the United Nations in Paris in 1980, as well as the Cancun North-South Summit Energy in 1981 are just a few of the steps the world's community took in order to address such issues. Other steps include the Cancun, Mexico North-South Summit in 1981. These initiatives aimed to discover solutions to problems that emerging nations were facing (Darwish, 2020).

In this context, the Gulf Arab nations have progressively developed the potential to help other nations that are developing thanks to their enormous oil revenues. For example, Saudi Arabia, the greatest economy among the Gulf nations, has swiftly grown its average yearly donation to the point that it is now a significant giver to global help. In order to protect and advance its sovereignty through economic means, a nation engages in economic diplomacy.¹ Saudi

Arabia's overseas assistance has evolved into a crucial diplomatic tool as the sole G20 member state in the Arab world (Albreem, 2023).

Though the focus of Saudi Arabia's international assistance is not to be tied to specific political circumstances, this is when not meant to overlook Saudi Arabia's demands for its own national goals, that support the entire framework of national diplomacy. Saudi Arabia has used financial resources to advance geopolitical or military aims for over 50 years, and its overseas aid has grown to be a crucial part of its financial warfare. Saudi Arabia is currently performing - and for the anticipated long-term will continue to play - a significant part in Middle East things as well as in the wider world as a local player with several identities, including being a global energy power, the proprietor of both Islamic holy sites (Mecca and Medina), the head of the GCC, and an associate of the nation-state the G20 (Albreem, 2023).

Uncompleted numbers show that Saudi Arabia's yearly foreign aid represented 1.9 percent of its total revenue, which is significantly more than the 0.7 percent that the World Health Organization's Development Programme (UNDP) advises. Following the Middle East uprisings in 2010, Saudi Arabia has been deeply involved in regional affairs and provided assistance abroad. This has an established record of being effective in preserving national political equilibrium, stopping the spread of "revolutions," and vying for power in the vicinity. For instance, in order to stabilize these areas and counter Iranian impact, Saudi Arabia upped its aid to Yemen, the north of Iraq, and northwestern Syria. Saudi Arabia ranked 4th in the globe with \$139 billion in help given to 95 nations by the close of 2016 (Alharbi, 2021).

Foreign funding from Saudi Arabia additionally supports the recipient nation's financial development while additionally aids the kingdom in maintaining its role as the "servant of the Islamic world" or advancing "Rial" politics (Mohanty, 2011). Saudi Arabia is the case study to

analyze its foreign assistance and its precedents for financial diplomatic efforts, the primary elements on their real-world relevance, followed by analyses Saudi Arabia's foreign assistance. This analysis depends on Saudi Arabia's international aid policy and its behavior in the Gulf Arab nations (Reiche, 2010).

For Saudi Arabia, outside funding is a crucial financial and political instrument. On the other side, Riyadh benefits from Saudi Arabia's assistance abroad in achieving its financial, political, particularly religious objectives, improving its standing or power in world politics, and solidifying its position as the head of the Muslim world (Alandijany, 2020). The result has not only improved Saudi Arabia's standing among Muslims worldwide, however it has also helped the country's pan-Islamic politics run more smoothly and increased its "soft power." Saudi Arabia has gathered supporters by providing aid to nations like Morocco, the Sudanese Somalia, the Republic of the Maldives, Mauritius, after and Djibouti while severing its diplomatic ties with Iran as well as Qatar (Albreem, 2023).

The four GCC countries have many similarities, including their heavy dependence on oil and gas exports, and their efforts to diversify their economies by investing in other sectors. However, there are also significant differences in terms of their political systems, economic priorities, and levels of development. These differences may have important implications for their approaches to economic diplomacy and will be explored further in the following sections (Mohanty, 2011).

Comparison of Economic Diplomacies in GCC countries

There is substantial distinctness's middle from two points GCC nations concerning two together the point of diversification worked out before this time and the route of diversification in conditions of areas. In general, Bahrain and the UAE give the impression most progressive in conditions of lowering their reliance on lubricate. The diversification outcomes disclose the happening distinctness's among individual nations: Bahrain has settled itself as a financial center for the Gulf domain and for the Arab realm, specifically in Islamic investment. Tourism, exceptionally, of provincial inception, transfer and connected aids are additional fields at which point the nation is deep-rooted (Reiche, 2010).

Bahrain is again house to a significant builder of aluminum. The UAE has likewise diversified into travel, accompanying a more worldwide direct than Bahrain; into finance, e.g. additional the Dubai International Financial Center (DIFC); in addition into transfer, be a part of a local business center. This form it the barely added nation other than Bahrain accompanying an approximately reduced rank of lubricate reliance (Albreem, 2023).

Kuwait remnants are very reliant on merchandise, as long as finance has grown currently. Oman, in spite of bearing expanded into production incompletely and begun cultivating foundation for travel, is one of the nation's place the want for fundamental development away from result of lubricate and vapor is most urgent. Saudi Arabia, that is not directed entirely on merchandise, but create about 10 percent of GDP in the production subdivision, is quite alive in the creation subdivision and actually purposes to evolve as the region's determination in production. Saudi Arabia also desires to further expand funding, such as accompanying the projected organization of the King Abdullah Financial District. Qatar is absorbed on hydrocarbon investigation, specifically, through cultivating big abilities for the distillation of oil (Mohanty, 2011).

A change from lubricate to smoke as the predominant beginning of ship revenues would imperfectly resolve the questions had connection with the Gulf nations' act as basic merchandise exporters. Nevertheless, this deed would still humble the belongings of expense airiness, as oil prices likely expected less changeable than post expenses on the lubricate advertise. Qatar has more progressive in travel, exceptionally, as a host of conventions, fairs, and occurrences (Alharbi, 2021).

Major preconditions for financial diversification are guaranteeing a favorable investment surroundings, open markets accompanying understandable business exercises and constant supervisory foundations, which closely create asset in non-lubricate areas more drawing attention. In addition, an embellished act of the for-profit businesses in those aids that up until now have been primarily determined by governments, to a degree water, power, and health care hopeful in consideration of diversification, indicating that GCC countries' diversification is essentially connected to privatization (Liu, 2016). Actually, GCC appendage explains have given privatization regulations and created gain on privatization in current years, for instance, in the systems of information exchange area. Belatedly, improving the employability of nationals, whose abilities and qualifications frequently do not match the necessities of for-profit businesses associations, is a key additive for more diversified recessions in the domain (Darwish, 2020).

In agreements of trade surroundings, the World Bank Doing Commerce signs division GCC nations profitable of Middle Eastern and North African nations, accompanying Saudi Arabia exceptionally bearing enhanced allure establishing over current age. In conditions of government, World Bank government signs likewise reveal that GCC nations do significantly more than their associates in the Mediterranean domain and in added arising advertises in the extensive neighborhood of the EU, however, move very slowly the OECD nations (Albreem, 2023).

The goal of the GCC, the economic and political agreement and trading bloc, was to integrate and coordinate its member nations in all areas and adopt standardized rules for economics, financing, trade, laws, and government. The GCC was established in 1981. In order to further their goal of increased economic unity, GCC members established a Customs Union in January 2003, which standardized duties across the whole GCC. A shared currency as well as a unified currency are also goals of the 6 GCC countries, who began trading together in January 2008 (although some practical details are still being worked out). About half of the world's estimated crude reserves are located in the GCC region.

In 2006, the GCC was responsible for 39 percent of the world's oil exports and contributed to 18 percent of the world's oil output. The GCC's overall net overseas assets are anticipated to surpass USD 2 trillion in 2008. Authorities in the vicinity have an excellent chance to tackle pending structural adjustments because to high energy prices. The primary growth engine has clearly shifted from government to the business community. Diversification of the economy and rising domestic spending will decrease reliance on fossil fuels. Despite the promising prognosis for the near future, the GCC nations have their fair share of economic hazards and issues. The area continues to be dependent on hydrocarbon sectors despite significant diversification initiatives.

Due to this, the area is more susceptible to changes in energy costs and political threats. Additionally, the area is dealing with an issue with rising inflation (near to double figures in the UAE as well as Qatar). Having a nominal gross domestic product (GDP) of 1.5 percent of the international all, the GCC is still a minor but significant role on the international scene, similar to the ASEAN nations. The GCC is still a small nation compared to its economic rivals, with an approximate population of about 38 million. Nevertheless, the GCC has outperformed the Middle

East and Latin America in terms of economic growth. Additionally, the GDP for each person ranks as one of the greatest in the world, particularly in the UAE as well as Qatar.

Unemployment among GCC nationals and business environment constraints, especially governance and transparency, remain key structural challenges.

Discussion

The Gulf Cooperation Council (GCC), a significant Middle Eastern regional group, has been facing a number of difficulties. The GCC states are at a difficult juncture and are faced with a number of issues due to the worrying internal conflict and outside involvement. The current scenario has led to significant shifts and trends in their diplomatic strategy, making them important subjects deserving of in-depth study. The GCC has traditionally oriented its foreign policy efforts towards the West, particularly the United States, from its founding in 1981. Its long-standing tight ties with the United States as a NATO member have led to a significant reliance on US diplomacy tactics (Wiseman, 2012).

Nevertheless, in the past few years, there have been serious obstacles to the diplomatic tactics of the GCC members due to substantial shifts in geopolitical circumstances as well as the global political panorama of the Middle East. These emergencies might have provided the GCC members with the chance to expedite important diplomatic advancements by forcing them, in particular Saudi Arabia, to shift their diplomatic focuses from their traditional westward to eastward orientations in light of the current circumstances. The Saudi Arabian diplomatic shift, a significant GCC member, is the most conspicuous illustration of this strategy adjustment. King

Salman's subsequent trips to China (in March 2017) or Russia (in October 2017) are a crucial indicator of this transformation (Mohanty, 2011).

The two nations are both major participants of the Shanghai Cooperation Organization (SCO), but both are considered "Oriental" superpowers to the "Western" globe in the conventional practice of global foreign policy. In terms of global security, governance, or diplomacy, SCO values diverge significantly from those of occidental countries. In truth, other GCC nations' diplomacy has evolved as a result of local and worldwide geopolitical changes, with one notable exception of Saudi Arabia. For instance, Qatar, a longtime friend of the US and home to the country's most significant military installation in the area, is modifying and revising its diplomatic approach (Alharbi, 2021).

Rather than practicing a strategy of conflict and animosity like the US, Qatar maintains a good-neighborly but amicable approach towards the area's dominant power, Iran. In November 2014, Qatar and China also agreed on a strategic partnership. For a significant strategic partnership between Qatar and the US or a different occidental nation has not yet been reached. The establishment of a "future-oriented relationship of comprehensive collaboration and shared growth" between the Chinese and Arab nations was settled upon at the eighth minister session of the China-Arab Countries Coordination Forum, which was held in Beijing in July 2018. The GCC governments have not created such a partnership of strategy with Western nations despite being League of Arab governments members (Liu, 2016).

The decision regarding whether to "go eastwards" or "go westwards" is, in fact, an important and practical tactical question for the politics of GCC countries. It appears clear that the GCC nations are changing their political philosophies from the custom of "looking westwards" to "looking eastward" as well as "going westwards." The GCC has steadily demonstrated a pluralistic

and independent inclination, aiming for balanced relations among the East along with the West in addition to amongst the local and international powers. Thus, it is important to pay attention to how the GCC states' political stance continues to evolve and how it affects the strategic trends in the Middle East (Reiche, 2010).

The Middle East's influence on Saudi Arabia in the past decade as well as the country's shifting foreign posture are important issues that require ongoing consideration and in-depth research. Saudi Arabia has worked to strengthen connections with other powerful nations in the past few years, attempting to use the strength of its neighbors to ease local diplomatic issues and achieve diplomatic parity amongst the world's powers. With a focus on improving and broadening broad strategic alignment with China, combining, and enhancing an ally-based relationship with the US, as well as simultaneously encouraging and nurturing relations with Russia, Saudi Arabia effectively carried out high-level courteous conversations with each of the 3 significant world powers all through 2017.

King Salman accompanied a sizable group to China from March 15–18 of this year. Following their discussions, the two leaders of state decided to keep the bilateral ties moving in the right direction, increase their practical collaboration in a number of areas, and encourage the ongoing growth of their complete strategic relationship (Wiseman, 2012). According to Chinese President Xi Jinping, Sino-Saudi relationships have ample opportunity as well as opportunities for expansion. To ensure an improved prospects for Sino-Saudi interactions, both parties must comprehend the overall trajectory of advancement of the bilateral relationships. King Salman conveyed his great delight with the higher-level growth of the Saudi Chinese relationship and concurred with President Xi Jinping's assessment of the relationship among the 2 countries (Albreem, 2023).

He emphasized that via the "Saudi-China High-level Working Committee" framework, Saudi was prepared to develop a broad strategic alliance among the two countries expand their current level of collaboration. Saudi Arabia as well as China inked 14 contracts the agreements of collaboration throughout King Salman's appointment covering 35 cooperative initiatives for a total of 65 billion US dollars that span a range of topics covering economics, commerce, power, the armed forces, and safety. The King's journey to China demonstrates Saudi Arabia's strong determination to advance and improve relationships with China whilst bolstering mutually beneficial relations on all fronts. It additionally demonstrates the country's growing diplomatic tendency of "looking eastwards" or "moving eastwards" (Alharbi, 2021).

'Saudi's diplomatic strategy has grown more aggressive and confident,' said Abdullah, a previous Saudi Arabian professional ambassador. This has delivered an email to Washington that reads, 'Yes, you are our buddy, yet we additionally have other options.' In reality, Saudi Arabia has been "looking east" in diplomatic terms for over ten years, with a particular emphasis on improving ties with China. One notable instance is the fact that King Abdullah picked China as his initial foreign destination after becoming king in January 2006. The Saudi King is also making his first trip to China since Sino-Saudi relationship diplomatically were established in 1990. Nevertheless, Saudi Arabia nevertheless views the US as an "old ally" and military "backer" that it must not abandon (Al Shidi, 2016).

Although Saudi Arabia's administration is 'looking eastwards' and 'moving eastwards,' its old 'westward facing' international stance is still quite potent. The Deputy Crown Prince as well as Minister of Defense Mohammad Ben Salman travelled to the US as well as spoke with President Trump whilst King Salman took pleasure in his trip to China. Each of the sides spoke about issues like US-Saudi relationships as well as Middle Eastern stability. This trip was intended to build

confidence among Saudi Arabia as well as the US and to mend the divide that developed among the two countries under President Barack Obama. Concerning Saudi Arabia's foreign matters, the monarch pleaded for the US to give robust assistance. Additionally, he aimed to strengthen the long-standing ally-based connections among the 2 sides (Albreem, 2023).

A month later, on May 20, 2017, Trump chose Saudi Arabia for his first foreign excursion as well as the two countries agreed to a multibillion-dollar weapons deal. The US claimed that this sought to strengthen international antiterrorism capability while also defending Saudi Arabia's as well as the Gulf region's safety. In Riyadh, Trump also hosted meetings with 55 Arab and Islamic nations. The presidents of the US as well as Saudi Arabia jointly urged the other nations in the vicinity to effectively counter Iran's menace and combat extremism. Trump's arrival not just delighted Saudi Arabia and signaled that Saudi Arabia received backing in confronting "regional threats," however this also brought the US significant orders for the sale of armaments, which increased its income (Al Shidi, 2016).

Nevertheless, it wasn't successful in bringing about peace and tranquilly in the Middle East. The goal of Trump's browse and the according to a CNN statement, is to place an order for weapons rather than advance peace. This is significant that on May 29, Mohammed Ben Salman, the successor to the monarch and secretary of the nation's defense, travelled to Russia to strengthen ties with that country only a few days following Trump left Saudi Arabia. When they spoke, President Putin said that things were going well among Saudi Arabia adding Russia as well as that they were eagerly anticipating King Salman's arrival. The King of Saudi Arabia, King Salman, paid his initial official trip to Russia after both nations established relations diplomatically on October 4th, 2017.

It was a wise piece of current Saudi diplomatic maneuvering. On October 5, King Salman as well as Putin met in person at the Kremlin for an official welcome event. King Salman stated that the strengthening of Saudi-Russian interactions would result in positive effects on both international security and peace in addition to the growth of the worldwide economy. King Salman's go to, according to Putin, was a historic occasion which would offer both nations a good boost. Russia and Saudi Arabia inked 14 collaboration agreements throughout King Salman's browse, included a \$1 billion investments in energy initiative and agreements spanning economics, trade, defense, oil, or gas (Wiseman, 2012).

The fact that Saudi Arabia purchased the S-400 air defense weapon system from Russia caught the most interest. Saudi Arabia, that recently inked a massive arms sales pact with the US and has traditionally promoted pro-American policy and depended entirely on the US in militarily and economic areas, definitely has raised its own significant strategic issues brought up by such an action. Saudi Arabia's decision to go after a more independent and balancing diplomacy approach with big powers was made clear by King Salman's trip to Russia, which shows that Saudi Arabia is not anymore ready to entrust its safety objectives and diplomacy policy exclusively to the US. This multilateral diplomacy when interacting with the major countries represents an important and enormous shift in strategy for Saudi Arabia (Al Shidi, 2016).

Economic Challenges in GCC Countries

From many angles, the GCC's diversification of economy has been discussed in a sizable body of literature (Luciani 2012, 2013). The GCC nations transition from reliance on oil to financial diversity highlights the dangers connected with the rentier state concept (Beblawi, 1987)

as well as the Dutch Disease principle, that contends that windfalls from mineral wealth frequently decrease other industries because of appreciated currencies as well as the alluringly high earnings in the field of resources (Cordon & Neary, 1982). Such an interpretation is supported by the financial danger of the Dutch disease, since oil earnings have a tendency to swiftly drive out all other forms of commerce in the GCC countries (Hvidt, 2013).

Diversifying their economies is important for GCC nations because it is prone to be more secure, has the potential to establish employment opportunities, and is less prone to the boom-and-bust pattern associated with commodity prices. This also serves the dual purpose of reducing the adverse consequences of fluctuating oil prices. From the middle of the 1990s, diversification has been at the center of economic growth plans and strategy as a result of this requirement (Fasano & Iqbal, 2002). This is quite apparent in the national goals of all GCC countries, which place a strong emphasis on encouraging innovation while encouraging and expanding the significance of business in the course of growing their economies (Bhutto, 2014).

The fact that the share of gross domestic product of crude oil and natural gas has decreased from 41 percent in 2000 to 33 percent in 2013 (IIF 2014) and that regional manufacturing facilities wasting has grown, with UAE wasting having risen by over 400% across the 3 years prior to 2013, especially in the areas of air travel, aerospace, and defense, are two examples of signs that the economy is diversifying (Davidson, 2011). This is also demonstrated by the growing GDP contributions from the hospitality and economic industries, as well as by substantial expenditures made in non-hydrocarbon industries like tourism, interactions, water, as well as non-hydrocarbon sectors like healthcare and higher education. Development in sustainable and other forms of energy including solar, the storage and capture of carbon, and green technologies helps the energy business diversify (Reiche, 2010).

According to Woertz (2013), Al Obaid (2010), Deninger et al. (2011), and other GCC nations have improved their agro-security in terms of food availability through acquiring sizable tracts of farmland beyond their own boundaries and making significant investments in large-scale agricultural initiatives in the Philippines, Brazil, Ukraine, the country of Kazakhstan, and Sudan. Nevertheless, there are considerable obstacles to industrial development in the area. The majority of GCC nations have weak organizations, inefficient private industries, little creativity and little expenditure in R&D, inadequately adept national labor forces unable to meet market requests, unsuccessful constitutional and regulating structures, a lack of responsibility and openness, and fragile institutional foundations (Al Shidi, 2016).

Analysis demonstrates that serious shortcomings in implementation in the labor, trade, and educational industries in addition to structural flaws in the GCC economy have a detrimental impact on the diversification of the economy (Coury & Dave, 2010). Not if diversifying will be successful or not, but rather how the GCC nations handle its primary obstacles, is what matters here.

A strong governmental commitment is required to create a safe climate for investing in renewable energy. The approach calls for the creation of implementation goals that are both challenging and attainable, the construction of a structure that is as transparently organized as feasible, the simplification of management processes, integrating of an approach for a substitute native energy with the overall energy strategy, as well as the modernization of revenue sources through the development of fresh, profitable projects. To increase confidence among investors and avoid and mitigate risk associated with investments in the regions of non-profitable or significant advantage, an efficient assistance system is needed in this situation.

Governments have the power to decide on matters pertaining to the growth of energy through the use of policies pertaining to energy. This covers developing the energy sector and its associated activities including energy generation, shipping, and usage. Laws, global agreements, or financial incentives are all part of energy policy. Production of energy and preservation are the main strategic objectives. Concentrating on new sources of renewable energy seeks to encourage the energy sector, taxation, and various other policy initiatives. Big central photovoltaic power plants or dispersed photovoltaic (PV) panels are able to harvest solar energy.

Solar energy independently may supply electricity to a range of locations: photovoltaic panels don't need an electricity supply & are able to be used to meet rural demand, but thermal solar power plants have the greatest potential for densely populated urban regions with high electrical demand. Many GCC nations' efforts in the area of alternative forms of energy had been, at the time, still in the development stage. phase. For example, research projects on solar, the gas hydrogen, or agricultural PV were carried out in KSA. Kuwait has performed research on solar desalinization, PV, or rooftop solar water heaters (SWH). Bahrain-related research focuses on SPP, SWH, and wind. PV and wind research are conducted in Oman. PV as well as SWH are operating in the UAE. The focus of research in Qatar has been on PV and solar ponds.

The GCC nations seem prepared to play an even greater part in the advancement of sustainable, renewable energy sources. The GCC may use renewable energy the most frequently, hence this is going to be given precedence. PV as well as solar thermal devices use solar energy.

Conclusion

Saudi Arabia's domestic affairs as well as diplomacy have witnessed significant shifts in the past few years, notably since 2017. Through significant political efforts, including as combating fraud, realizing an easy transition, including shifting the center of attraction of the crown prince's authority, the higher echelons of the royal house have constructed a power center with the newly elected Crown Prince Mohammed Ben Salman at its core. The newly elected Crown Prince has consistently enacted new laws to advance women's freedoms and desires, lessen the influence of religion, strengthen the business climate, encourage social transparency, reorganize the financial system, and encourage diverse growth (Bhutto, 2014).

Saudi Arabia has effectively engaged in higher-level diplomatic exchanges with nations like China, the US, as well as Russia in an effort to promote more independent and impartial relations between superpowers. This continues its tactical tendency of "looking eastward" as well as "coming eastward" and devotes attention to creating room for diplomatic in Asia. This vigorously defends and combines its long-standing ally-based relationships with Western nations, particularly the US, at the identical moment. Nevertheless, Saudi Arabia has had to deal with severe upheaval in Syria and Yemen, although relations with Iran have gotten worse. Through starting an uprising in the area, it soured relationships with Qatar as well as had a severe influence on the peace and stability of the Gulf region as well as the joint growth of the GCC members.

The causes behind the significant shifts in Saudi Arabia's diplomatic approach recently can be examined from a variety of perspectives, encompassing internal as well as external problems. Nevertheless, the following are a few things to note: First of all, the Saudi royal family's hierarchy of authority has shifted, as an entirely fresh power center is emerging featuring the new Crown Prince at its center. The current batch of leaders is exceptionally driven for change,

irrespective of domestic politics and international relations. Secondly, the ongoing decline in global oil prices has an impact on Saudi Arabia's industrial framework, which previously depended on its external sale of fuel.

As a result, the "Oil Weapon's" significance in the nation's diplomatic policy has been diminished. Asian nations have increasingly taken over Western nations' position as the conventional trading partner of the countries that make up the GCC as a result of the expanding monetary power of Asian nations, particularly China. That might be understood by the GCC states' ongoing expansion in trade, particularly between Saudi Arabia as well as China along with other Asian nations. Lastly, Islam is a significant diplomatic asset for Saudi Arabia, because it's home to 2 holy cities. Nevertheless, the rulers are aware that when Islam is not employed correctly, this might lead to self-harm.

Finally, because the "Arab Spring," there have been significant shifts in the Middle East, and a number of Saudi Arabia's neighbors have been caught up in unrest. As a result, Saudi Arabia's domestic policies as well as diplomacy have come under a lot of scrutiny from these significant shifts in the region. Fifth, there have been substantial shifts in the global geopolitical environment. The world's major countries take a proactive role in Middle Eastern matters; in fact, the US has revised its Middle East strategy, as well as Trump has nearly entirely undone Obama's approach in this regard, compelling Saudi Arabia to alter its international stance and tactics.

The real-world decision facing Saudi Arabia's along with other Gulf leaders is whether to head east or west, towards harmony and development or towards disputes and disarray. This is important for Saudi Arabia's security and growth, for the GCC states' combined growth, and even for the security of the Middle East as a whole. There are several issues that need to be addressed, including how to efficiently lower down the process and address the conflicts among "moving

eastwards" and "coming westwards," how to establish a favorable environment, as well as how to avoid regional turbulent conditions and disagree brought due to deteriorating neighboring relations. These are undoubtedly the primary international issues that will put the political sagacity of Saudi Arabia's upcoming rulers to the test.

The nations of the Gulf Cooperation Council (GCC) are regarded as the world's top producers and exporters of petroleum and gas. They also use oil and gas to produce electricity at the identical time. Increases significantly, that has an impact on the economic standing of these wealthy nations. The continued increase in the use of oil and gas will result in a sharp reduction in exports of such substances, that will have a negative effect on the economy of those nations. The Gulf Cooperation Council (GCC) has been impacted by the swings in the price of crude twice. Energy subsidies given by those countries to cover rising energy costs had a negative influence on their economies whenever prices increased. States in the GCC have started to realize how important it is to switch some of their power generation from fossil fuels to alternate sources. Nowadays, we see a lot of initiatives geared towards the usage of renewable energy after conducting thousands of researches and surveys on the possibilities in this area. Even though these endeavors remain the level of desire, the GCC may realize the aim within the next 20 years thanks to the immense financial capacity in such nations, careful planning, as well as the fact of numerous collaborations with cutting-edge businesses in this field.

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