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Toward a New Discourse of Global Connectivity

The Gulf's Ambitions in Strategic Corridors and Partnerships

Workshop Report

February 6-7, 2025
Istanbul, Türkiye

By

Dalia Ghanem, Dania Thafer

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Executive Summary

This report examines the rising strategic significance of economic corridors, with a particular focus on the Gulf region's growing role in shaping their development. In today's increasingly multipolar world, corridors such as the India-Middle East-Europe Economic Corridor (IMEC), the Iraq Development Road Corridor (IDRC), and China's Belt and Road Initiative (BRI) function not only as trade routes but as instruments of geopolitical influence, development finance, and regional integration. For Gulf states, participation in these projects presents an opportunity to diversify their economies, expand regional connectivity, and strengthen global partnerships—provided they adopt a deliberate and coordinated approach.

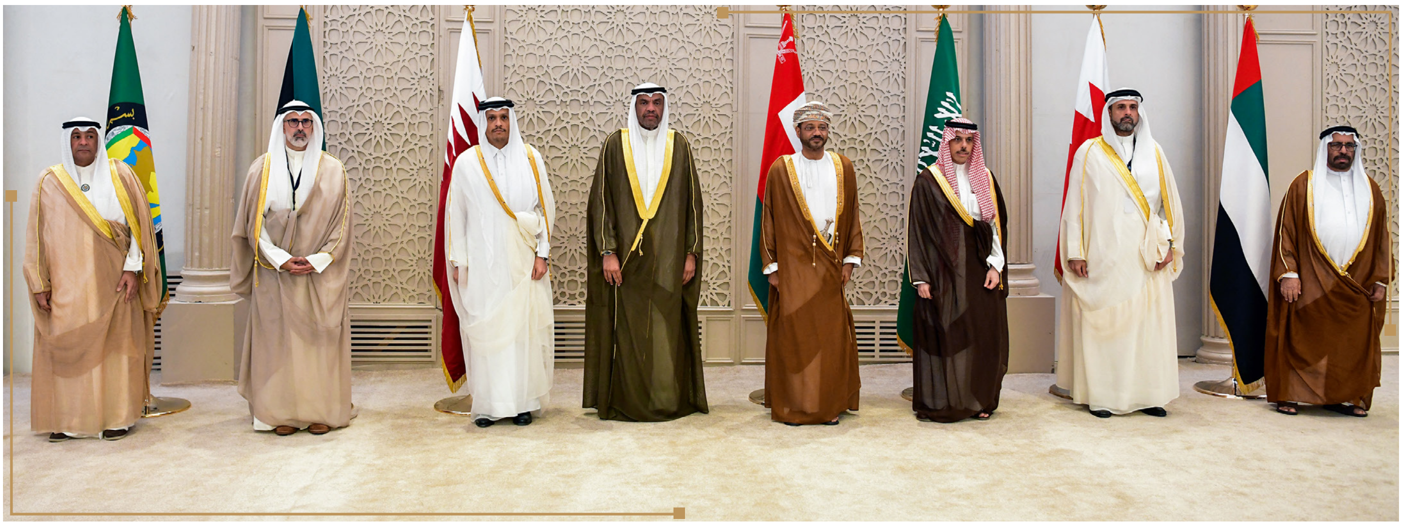
The report identifies three core policy pillars critical to maximizing the long-term benefits of corridor engagement: geopolitical agility, strategic financing, and inclusive economic development.

First, Gulf states should pursue a multi-corridor strategy that avoids zero-sum alignments and promotes regional cooperation. Non-alignment—anchored in flexibility and pragmatism—enables the Gulf to maintain open partnerships with all major powers. At the same time, the report advocates for a formalized "GCC+" dialogue platform to coordinate corridor development with key partners like Turkey, Egypt, and India, as well as trilateral mechanisms involving the EU and India. Corridors should also be leveraged to support regional diplomacy, not just commerce.

Second, the report emphasizes the strategic deployment of sovereign wealth funds (SWFs) to finance infrastructure, energy connectivity, and digital trade. This approach would reinforce Gulf-led development priorities while ensuring financial sustainability. The report calls for the appointment of special envoys to manage financial coordination with multilateral institutions, and for comprehensive feasibility studies to evaluate corridor returns and risks. It also stresses the need to attract private sector investment through regulatory transparency and public-private partnership (PPP) incentives.

Third, to ensure corridors drive inclusive economic growth, Gulf policymakers should expand free trade agreements to cover digital and infrastructure integration, support local job creation, and embed technology transfer agreements into corridor planning. These measures would localize the benefits of corridor development and reduce overreliance on external actors.

Ultimately, the Gulf's corridor strategy must be rooted in long-term planning, institutional coordination, and economic sovereignty. If implemented with foresight and cooperation, economic corridors can become a cornerstone of Gulf-led regional stability, economic diversification, and international influence.



GCC Secretary-General Jassim al-Budaiwi and top diplomats from Kuwait, Qatar, Oman, Saudi Arabia, Bahrain, and the UAE pose for a group photo during the GCC foreign ministers' meeting in Kuwait City on June 2, 2025 (AFP).

Key Takeaways and Policy Recommendations: Roadmap for Sustainable Corridor Success

Geopolitics and Regional Policies: Vision, Cooperation, and Agility

1. **GCC Engagement in Multiple Corridors:** Gulf states should actively participate in multiple corridor initiatives to maximize economic and geopolitical benefits. This will allow them to leverage their strategic position to benefit from diverse trade partnerships.

2. **Avoiding a Zero-Sum Approach:** Economic corridors should not be seen as competitive endeavors, but as opportunities for regional cooperation. Gulf states must maintain a non-aligned, pragmatic approach to trade and infrastructure projects to enhance regional stability and avoid entanglement in geopolitical rivalries.

3. **Utilizing Economic Corridors for Diplomacy:** Although the Gulf states should generally steer clear of politics in their corridor initiatives, they should nonetheless be willing to use infrastructure projects as tools for diplomatic engagement and conflict resolution. Initiatives such as the Iraq Development Road should be integrated into broader regional diplomacy efforts to promote peace and economic interdependence.

4. **Establishing a GCC+ Dialogue Mechanism:** To strengthen regional cooperation, a formal dialogue mechanism should be established that includes non-GCC stakeholders such as Turkey, Egypt, and India. This platform can facilitate the exchange of policy ideas, investment strategies, and security considerations to ensure inclusive and sustainable corridor development.

5. **Trilateral Coordination Between the GCC, EU, and India:** Strengthening economic and policy coordination between the Gulf, Europe, and India will be crucial for ensuring the success of IMEC and similar projects. Formalized partnerships can enhance trade facilitation, infrastructure alignment, and investment strategies.

6. **Advocating for a Clear Corridor Vision:** To avoid being relegated to passive transit states, GCC countries must articulate their own corridor visions, tailored to regional priorities such as green energy, food security, and digital integration. Without Gulf-led initiatives, there is a risk that regional needs will be subordinated to external geopolitical agendas.

7. **Cementing Cooperation:** To create structured spaces for dialogue and risk mitigation, the Gulf states should institutionalize corridors through mechanisms that involve governments, the private sector, and nongovernmental organizations.

8. **Streamlined Operations:** To minimize bureaucratic inertia while preserving coordination, corridor governance structures should prioritize agile frameworks—such as task-specific working groups, time-bound steering committees, and PPP that allow for faster decision-making and adaptive implementation without sacrificing oversight or inclusivity.

Sovereign Capital and Strategic Corridors

1. **Strategic Use of Sovereign Wealth Funds (SWFs):** Gulf states should leverage their sovereign wealth funds to finance corridor projects. Strategic investments in infrastructure, energy connectivity, and digital trade have the potential to yield long-term economic dividends while ensuring financial sustainability, making them a worthwhile expense.

2. **Appointing Special Envoys for Financial Coordination:** Each participating country should appoint dedicated envoys to coordinate financial aspects of corridor development with international financial institutions such as the World Bank, the IMF, and regional development banks. These envoys would be responsible for securing funding, ensuring compliance with financial regulations, and fostering public-private partnerships.

3. **Conducting Comprehensive Feasibility Studies:** To mitigate financial risks, governments should collaborate with the World Bank and independent financial institutions to conduct in-depth feasibility studies before launching corridor projects. These studies should assess trade demand, infrastructure capacity, and long-term return on investment.

4. **Encouraging Private Sector Participation:** Economic corridors should not rely solely on public funding. The Gulf states should actively promote private sector involvement through public-private partnerships (PPPs). Providing investment incentives, reducing bureaucratic barriers, and ensuring regulatory transparency will attract corporate investment in infrastructure projects.

Trade and Economic Development

1. **Expanding Free Trade Agreements (FTA++):** Policymakers should develop an expanded free trade framework that goes beyond traditional agreements to include digital trade, infrastructure investment, and supply chain integration. This would ensure that economic corridors are not just transport pathways but fully integrated economic networks.

2. **Promoting Local Ownership and Job Creation:** Economic corridors should prioritize generating economic opportunities for local populations. Governments should implement policies that mandate local employment quotas, vocational training programs, and skill development initiatives to ensure that infrastructure projects contribute to sustainable workforce growth.

3. **Enhancing Technology Transfer Agreements:** To ensure long-term economic benefits, corridor initiatives should incorporate technology transfer agreements that allow Gulf states and other regional players to benefit from expertise in logistics, smart infrastructure, and digital connectivity.

Introduction

In the 21st century, economic corridors have risen to prominence as critical drivers of global trade, regional economic integration, and international diplomacy. These ambitious, infrastructure-centric initiatives are designed to enhance cross-border connectivity—facilitating the efficient flow of goods, services, capital, and ideas, thereby forging deeper economic linkages between participating countries. However, the significance of economic corridors transcends their purely commercial function. In an era marked by shifting geopolitical dynamics and a highly fragmented global order, corridors have become potent instruments of statecraft; they enable countries to project influence, cultivate strategic alliances, and navigate the complexities of an evolving multipolar world.

Economic corridor analysis requires a dual lens: in studying them, one must balance their efficacy in realizing geopolitical imperatives with their economic feasibility. In other words, while corridors can serve as tools for projecting power or fostering alliances, as in the case of the U.S.-backed IMEC, these motivations must be weighed against practical constraints like transport costs and funding availability. Geopolitical risks continue to affect the viability of such projects, and states will ultimately consider their economic merit before committing to any infrastructure investments.

At the same time, economic corridors also push states to think beyond national borders and embrace the realities of multipolarity. For small and medium powers, corridors offer both economic opportunities and strategic leverage, especially in a world where traditional development financing through existing multilateral institutions like the International Monetary Fund (IMF) and the World Bank falls short. This financing gap has been partially filled by China through the BRI, while India continues to grapple with the financial demands of IMEC. Moreover, the success of these initiatives hinges not only on funding but also on transparency, clear planning, and regional buy-in—factors that are often absent. To make matters worse, analysts struggle with limited access to policymaking information, making it difficult to assess these projects' long-term viability.

For small and medium powers, corridors offer both economic opportunities and strategic leverage, especially in a world where traditional development financing through existing multilateral institutions like the International Monetary Fund (IMF) and the World Bank falls short.

Nevertheless, corridors offer a framework for diversifying global trade networks and strengthening intra-regional trade, particularly in regions like the Gulf. Understanding them requires an appreciation of the timescale these initiatives often follow—one that contextualizes economic corridors within broader historical, political, and economic trends.

This report—based on a two-day workshop organized in Istanbul in February 2025—delves into the multifaceted role of economic corridors, with a particular focus on the Arab nations of the Gulf and their increasingly pivotal involvement in shaping these transformative projects. It analyzes the interplay of several key factors that define the current economic corridor landscape: the ongoing transition from a unipolar to a multipolar global order; the strategic calculations of key regional actors; and the persistent challenges posed by geopolitical competition, the imperative of financial sustainability, and the necessity of robust governance frameworks. The report examines the role that these dynamics play in three separate ongoing corridor projects: the U.S.- and EU-supported IMEC, the Turkish-supported Iraq Development Road Corridor (IDRC), and the China-led BRI.

The report examines the ways in which economic corridors function not only as conduits for trade, but also as vehicles for geopolitical influence and interstate competition in the twenty-first century. It studies how the nations of the Gulf view the three corridor projects, which ones they prioritize, how they are working to mitigate the risks of being drawn into conflict with the corridors' various backers, and—perhaps most importantly—in what ways they are pursuing domestic regulatory reforms and infrastructure investment to better integrate their economies, in preparation for the corridors' arrival.

The report further addresses the inherent risks and challenges associated with the development of these complex transnational corridors. These include potential security threats that can disrupt trade flows, the destabilizing effects of geopolitical rivalries among major powers, and the persistent problem of structural inefficiencies that can undermine the viability and effectiveness of corridor projects. Nonetheless, the report underscores that, if properly implemented, corridors are powerful mechanisms for driving economic diversification away from traditional resource dependence, catalyzing labor market transformation in a rapidly changing technological environment, and facilitating the consolidation of regional and even global geopolitical influence. It notes the linkages between corridor and economic stability—particularly developments in new technology such as AI, which the Gulf has made an effort to pioneer in recognition of its vast importance to the twenty-first century.

Finally, after considering these challenges, the report makes a series of policy recommendations that can help the Gulf states, as well as other regional stakeholders, to maximize their beneficial involvement in these ambitious undertakings—ensuring that they contribute to sustainable and inclusive patterns of growth and development. In general, participating in corridor development is recommended with great enthusiasm—provided that the Gulf states are able to do so in a pragmatic way that avoids buying into existing great-power rivalries, strengthens their bonds with one another, and maintains the Gulf region's political and financial independence in the years to come.

US President Donald Trump and Saudi Crown Prince Mohammed bin Salman greet Gulf officials during a gathering of the six-nation Gulf Cooperation Council (GCC) leaders in Riyadh on May 14, 2025,(AFP).

Global and Regional Context

A. The Gulf's Agility in a Fragmented World Order

The second half of the 20th century was defined by the creation of two great "blocs" that divided control of the world's major powers: the United States and its NATO allies in the West, and the Soviet Union and its satellite states in the East. This geopolitical reality shaped trade relations insofar as Western nations traded with other Western states, and Eastern countries traded with one another. Little trade took place between the two blocs. After the USSR's collapse in 1991, the United States came to dominate the global political order and became the focal point for international trade. In the decades since, however, the world has become increasingly multipolar, with China emerging as a peer economic rival of the United States and Russia regaining some of its lost stature as a great power.

Crucially, while the unipolar moment has passed and the United States and China have fallen deeper into competition, the old pattern of two hermetically-sealed trade blocs does not apply to the current moment. Indeed, before the most recent trade war, the United States and China had the largest bilateral trade partnership of any two countries on Earth, with roughly $450 billion in bilateral trade as of 2023.

As the post-1989 unipolar international system fades and global institutions lose influence, new (or old) frameworks of power begin to take shape. The boundaries that have traditionally delineated the global economy for the past seven decades grew out of the Bretton Woods, post-World War II order, which established the U.S. dollar as the global reserve currency. Indeed, the dollar retains its dominance and international organizations like the IMF and World Bank have continued to influence international economics. However, the United States' aggressive new tariffs on China could overthrow the rules-based liberal trade order, pushing global commerce toward competing regional blocs. In this new order, economic corridors become instruments of geopolitical influence, offering alternative trade routes that circumvent rivals, reducing dependency on legacy systems and reorienting global commerce in the process.

At the heart of this paradigmatic transformation are the Gulf states. Once viewed as peripheral energy suppliers, countries like Saudi Arabia, the UAE, and Qatar have begun to leverage their geography, deep capital reserves, and strategic independence to reposition themselves as pivotal players in a multipolar world—acting not only as intermediaries in diplomacy, but as architects and beneficiaries of a new global connectivity.

The United States' aggressive new tariffs on China could overthrow the rules-based liberal trade order, pushing global commerce toward competing regional blocs.

In a world that is becoming increasingly fragmented, the Gulf states are proving that influence can come not from dominance, but from geography, access, and institutional pragmatism. They have embraced what Saudi Arabia's foreign minister described in 2023 as a doctrine of "positive neutrality"—engaging all sides while aligning with none. As the U.S.-China rivalry intensifies and supply chains, trade networks, and digital infrastructure decouple and realign, the Gulf's ability to maintain open lines with Washington, Beijing, Moscow, and New Delhi has become a form of power in itself. The Gulf states are also opting for smaller coalitions that promote economic growth and buttress their geopolitical influence without risking entanglement.

Key to the Gulf's approach is the notion of "minilateralism," which denotes a focused, flexible, and transactional diplomacy among small groups of states. In an age when traditional multilateralism is mired in institutional gridlock, the Gulf states have turned to minilateral forums and initiatives to advance national and regional goals. These include the IMEC, GCC engagement with BRICS+, and emerging platforms like the Indo-Abrahamic Alliance (I2U2). Minilateralism offers agility: it avoids both the rash unilateral temptation often indulged by great powers and the laborious consensus-building that happens in large multilateral institutions like the United Nations. At the same time, it creates space for selective cooperation on trade, technology, energy, and security.

> **Taken together, these physical and virtual corridors are transforming the region into a nexus of economic integration, regional cooperation, and geopolitical influence.**

The Gulf states are also spearheading regional integration and cooperation as a structural response to the erosion of global governance. The GCC is strengthening internal cohesion and external leverage while forging interregional partnerships with blocs such as the African Union (AU) and the South Asian Association for Regional Cooperation, or SAARC. These frameworks are redefining how small and medium powers build influence—not through alignment, but through layered connectivity.

Once seen primarily as glorified infrastructure projects, economic corridors have now become a way to exert influence in a multipolar world—offering alternative trade routes, reducing dependence on traditional systems, and potentially redrawing the map of global commerce. Initiatives like the IMEC, the IDRC, and China's BRI are deeply intertwined with the Gulf, giving the region significant leverage over routes that matter as much geopolitically as they do commercially.

The Gulf states are not simply beneficiaries of these projects, but also their architects. The Gulf's strategically located ports function as gateways connecting Asia, Africa, and Europe. Likewise, the potential for investments in digital assets like fiber optics, data centers, and smart infrastructure underline their importance to digital diplomacy. Taken together, these physical and virtual corridors are transforming the region into a nexus of economic integration, regional cooperation, and geopolitical influence.

Of course, this balancing act carries risk. Natural chokepoints like the Strait of Hormuz remain susceptible to disruption, and the digital corridors now being built come with new vulnerabilities, including cyber threats. Nevertheless, the Gulf states' response to these threats has not been retrenchment, but the expansion of partnerships, platforms, and power.

B. Redrawing its Influence as an Emerging Economic Hub

The Gulf states have carefully leveraged their strategic geographic location between Europe and Asia—alongside bold economic visions and massive investments in ports, rail, and energy grids—to transcend their reliance on fossil fuels and become a dynamic hub ripe for transcontinental economic corridors, AI innovation, and emerging financial technologies like cryptocurrency. Though roughly one-fifth of the world's oil trade still passes through the Strait of Hormuz each day, the Gulf's economic influence has expanded beyond energy, with the region now anchoring several emerging global trade corridors that connect East and West. Indeed, the region's significant investments in trade routes, logistics infrastructure, and ports, such as[1] the UAE's Jebel Ali megaport and Oman's Duqm port, have created vital nodes in global supply chains. National economic diversification initiatives, including Saudi Arabia's Vision 2030, Kuwait's Vision 2035,

1. «The Strait of Hormuz is the world›s most important oil transit chokepoint,» U.S. Energy Information Administration, accessed July 20, 2025, https://www.eia.gov/todayinenergy/detail.php?id=61002.

A handout picture released by the press office of the Emir of Kuwait Diwan shows a general view of the 45th Gulf Cooperation Council meeting in Kuwait City of December 1, 2024. (Photo by EMIR OF KUWAIT DIWAN / AFP)

Oman's Vision 2040, and the UAE's Centennial 2071 are accelerating the region's transformation. These plans are designed to further reduce oil dependency by developing sectors like logistics, tourism, and manufacturing. These initiatives are bolstered by economic corridors that facilitate trade and attract foreign investment. Their ambitious economic visions have spurred bold policies and selective, interest-based partnerships.

- **Connectivity and Infrastructure at the Heart of Gulf Transformation**

As the Gulf states pursue long-term economic transformation, large-scale infrastructure investments have become central to their desire to enhance regional connectivity. Fluctuating oil prices and the threat of climate change have motivated joint efforts to build physical and energy infrastructure that links the Gulf. To this end, Saudi Arabia has made a $1.7 billion investment in the Port of Jeddah, the UAE seeks to construct the 900-km Etihad Rail network between key industrial and trade hubs, and Oman's SOHAR Port and Freezone has attracted over $27 billion in investments. Signature projects like the 2,177-km GCC railway, set for completion by 2025, aim to dramatically reduce trade costs, improve travel times, and connect key ports and cities across Kuwait, Saudi Arabia, Bahrain, Qatar, the UAE, and Oman.

Intra-Gulf electricity infrastructure is also advancing. The GCC Interconnection Authority enables cross-border power sharing and plans to expand connections to Iraq, Jordan, and even Europe and Asia through high-voltage lines. The Gulf states' newfound emphasis on renewable energy demands a modern grid and smart storage systems. Talk of harmonized fiscal policies and eased border restrictions also promise to boost intra-regional trade and mobility. Despite structural and political challenges, infrastructure-led connectivity offers a powerful pathway for the Gulf states to secure sustainable, long-term growth.

- **Sovereign Wealth Funds, Smart Tech, and the New Silk Roads of the Gulf**

National sovereign wealth funds (SWFs) form a key pillar of investment and economic diversification strategies in the Gulf. The leading SWFs—notably the UAE's and Kuwait's, standing at more than $1 trillion each—have accelerated innovation-led development.

As Gulf states pivot toward innovation-led development, economic corridors have emerged as a strategic mechanism to amplify returns on their investments in technology—serving not only as conduits for trade, but as platforms for scaling AI, fintech, and renewable energy. Gulf states are also actively seeking to localize cutting-edge sectors like artificial intelligence and cryptocurrency. In February 2025, Saudi Arabia attracted $14.9 billion into its artificial intelligence sector, while the United Arab Emirates attained $30 billion in cryptocurrency investments last year. Combined, these factors have enabled Gulf states to convene and collaborate with diverse actors, carving out a leadership role in a world increasingly defined by pragmatic, issue-based cooperation.

Despite these advances, challenges remain. Technological decoupling between the United States and China could force Gulf states to recalibrate their economic partnerships. For instance, the United States' blacklisting of Chinese tech giant Huawei in 2019, and its attempts to urge other countries not to use Huawei telecom networks over espionage fears, raised concerns in the Gulf states that Washington might attempt to retaliate against them for adopting Huawei Chinese technology. The region's ability to navigate these delicate dynamics while sustaining economic growth will depend on strategic policy making, regulatory reforms, and continued investment in digital infrastructure.

The Gulf states' exposure to the United States includes the financial domain. Though Gulf currencies are pegged to the dollar, currency diversification is gradually taking root. The UAE and India recently struck deals in dirhams and rupees, and the GCC states have begun exploring ways to settle energy trades in yuan. These trends signal a cautious, strategic distancing from overreliance on the U.S. dollar. Naturally, these trends might accelerate with increasing South-South corridor expansion.

An Overview of the Key Regional Corridors

The 21st century has witnessed an emergence of economic corridors, which even though modern in form, are rooted in centuries of connectivity. Periodically disrupted, economic corridors continue to reemerge as responses to evolving global dynamics. And as regional conflicts and geopolitical risks continue to shape the viability of such projects, their economic merit remains paramount.

A. India-Middle East-Europe Economic Corridor (IMEC)

Launched in 2023 at the G20 Summit in New Delhi, the IMEC is an ambitious corridor project that, if executed, would create a trade and investment network that could rival the scope of China's BRI. The signatories to the original proposal account for more than half of the world's GDP and approximately 40% of its population. Crucially, IMEC is widely viewed as a U.S. and European alternative to the BRI—one that shifts influence in global trade and, in turn, geopolitical power back to traditional Western hands. If successful, IMEC would integrate non-Western countries into America's technological and economic spheres to counterbalance an ascendant China. Hailed by the likes of former U.S. President Joe Biden, Saudi Crown Prince Mohammed bin Salman, Indian Prime Minister Narendra Modi, and European Commission President Ursula von der Leyden, IMEC has the potential to capture some of the BRI's dominance in the Global South. In these leaders' vision for the corridor, the Gulf states serve as a linchpin, anchoring new trade infrastructure and leading the way on technological development.

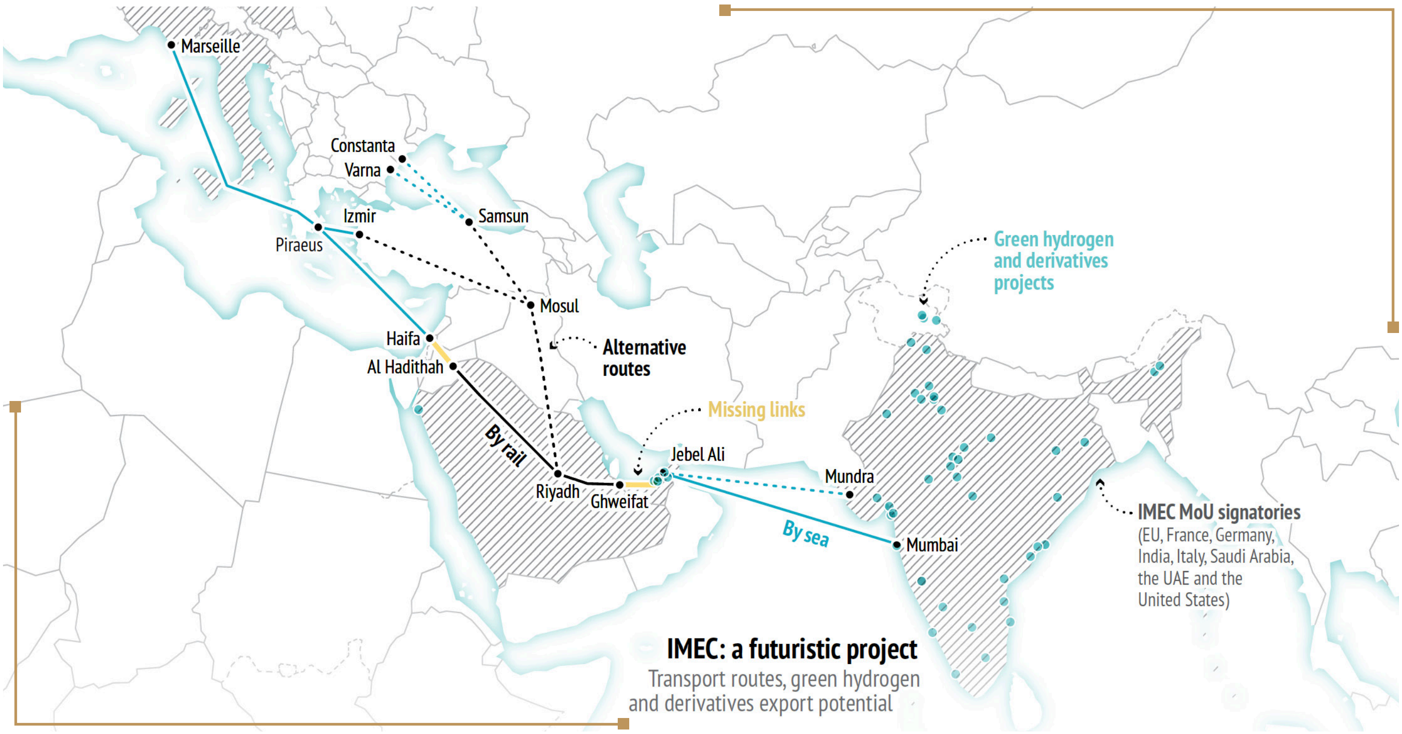
> **If successful, IMEC would integrate non-Western countries into America's technological and economic spheres to counterbalance an ascendant China.**

India, which opposes the BRI and has the most to gain from the corridor, has taken proactive steps to advance IMEC, signing an inter-governmental framework agreement with the UAE and engaging in high-level discussions with policymakers, diplomats, and think tanks. India has also opened collaboration on maritime and land connectivity with Italy, IMEC's European anchor, through the Joint Strategic Action Plan (2025-29). New Delhi's hopes are that IMEC will foster intra-industry trade, enabling specialization, competition, and innovation in key sectors such as automobiles, pharmaceuticals, jewelry, and energy. All this will be done via the high-order objectives of exchanging rich energy resources, sharing advanced manufacturing capabilities, developing major ports, and expanding logistics networks to facilitate seamless trade.

More broadly, IMEC seeks to cut transport costs, open markets, and fight poverty by boosting income, filling infrastructure gaps, and driving economic shifts through specialized production. It exemplifies these goals by promoting trade, technology transfer, environmental sustainability, and infrastructure development across connected economies. Beyond economic benefits, IMEC supports digital expansion, energy and food security, supply chain diversification, and geopolitical stability by fostering engagement between traditionally disconnected states and enhancing regional connectivity.

IMEC is best understood not as a regional project, but as a global framework redefining how the world connects and trades. It begins with local, national interests that gradually intersect, forming a web of shared priorities that advances broader connectivity and reconfigures national security thinking. Unlike many other initiatives, IMEC is rooted in collaboration rather than competition—at least within the bloc—and prioritizes supply chain resilience over simple trade flows. Anchored by key ports like Abu Jubail, Abu Dhabi, and Duqm, it plays a critical role in both the future of transportation and the ongoing energy transition.

While some regional countries like Iran are not currently involved in the corridor, it remains open-ended and integrative, with potential for future inclusion—especially through the GCC's expansive rail network. Connecting the high production capacities of India with the vast consumer base in Europe, IMEC links the Global South and North without reinforcing outdated polarities. Its ultimate vision aligns with a more apolar world order, in which Gulf states act as pragmatic power brokers thanks to their non-zero-sum approach. For the U.S., investing in IMEC infrastructure signals a strategic pivot: from a narrow security partner to a credible development partner, helping to correct past missteps and deliver both direct and long-term geopolitical benefits.



Source: Dalia Ghanem, Amaia Sánchez-Cacicedo, From hype to horizon: what the EU needs to know to bring IMEC to life, EUISS, June 18, 2024,https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief_2024-10_IMEC.pdf. Data collected for this map: Data: Carnegie Endowment of International Peace, 2024; International Union of Railways, 2017/2018, 2023; The Hindu, 2023; European Commission, GISCO, 2024.

Geopolitical Challenges to IMEC

Of course, IMEC does face a series of challenges. From a geopolitical perspective, any and all goods that would travel through its trade routes would be subjected to costly security measures. In a region where questions about safety still loom large in the Red Sea, the situation in Syria remains precarious, and Israel continues to wage its war on Gaza, progress on trade may take a backseat to work towards peaceful resolutions to these political problems. Notably, the corridor's framework mirrors that of the Abraham Accords, prioritizing Israel's economic integration and reducing the visibility of a Palestinian state—a fact that may be a hindrance to its future success, given the broad pro-Palestinian sentiment within both the Gulf states and the Arab world at large.

Amid these tensions, a potential alternative has begun to take shape—one that could bypass politically sensitive transit points—most notably through renewed investment in Syrian infrastructure following the recent lifting of U.S. sanctions. The GCC states have shown a renewed eagerness to invest in Syria and engage with the new government in Damascus—moves that could position the Syrian ports of Tartous and Latakia as strategic alternatives to Israeli ports. This option may become increasingly important if the inclusion of Israeli facilities in regional trade corridors proves politically difficult for Jordan and Saudi Arabia in the wake of the Gaza war. Notably, on May 15, 2025, the UAE's DP World signed a $800 million agreement to develop and operate a multi-purpose terminal at Tartous Port, with provisions for establishing industrial and free trade zones. Just two weeks earlier, on May 1, 2025, France's CMA CGM secured a 30-year concession to expand Latakia Port, including plans to construct a new berth and invest an additional $260 million.[2] [3]

Additionally, a truly unified corridor would struggle to navigate varied regulatory and customs environments. Despite the corridor's wide remit, there are notable regional powers that are not included, notably Iran, Iraq, and Turkey —omissions that may prove costly. President Recep Tayyip Erdoğan has insisted that there should be no such corridor in the region without his country's participation. Egypt, Oman, and Qatar, some of the most consequential regional stakeholders, are all also notable omissions from the initial MoU.

Lastly, the corridor also poses a threat to the Gulf's relationship with China. IMEC would seek to pull GCC countries under their joint umbrella, a risk they likely would not be willing to take for an idea that has yet to come to fruition. Chinese trade relations with the MENA region as a whole have thrived—surpassing $500 billion in 2022, $300 billion of which came from within the GCC. While the GCC states are broadly supportive of the IMEC initiative, they will almost certainly not pursue any related actions that could put their relationship with Beijing in jeopardy.[4]

B. Iraq Development Road Corridor

The IDRC, spearheaded by the Turkish and Iraqi governments with support from Qatar and the UAE, seeks to create a land bridge between the Grand Faw Port near Basra to Faysh Qabur at the Turkey-Iraq border. The IDRC would be one of the world's most substantial land bridges and, if completed, would add a crucial trade route to the region. The ambitions for the initiative are lofty, and its completion looms large as a central tenet of Iraqi Prime Minister Mohammed Shia Al-Sudani's plans for Iraq.

Crucially, the project would not exist in a vacuum; it would leverage pre-existing logistics hubs, industrial complexes, and the integration of oil and gas pipelines. For example, the project would take advantage of Turkey's existing rail infrastructure, helping Ankara to consolidate its position as a vital transport hub between Europe and Asia. The IDRC is also a sign of the considerable diplomatic progress made between the UAE and Qatar, both of which will provide considerable financial backing in the hopes of ensuring the project's success. That said, the onus of the project's execution will lie squarely with Baghdad and Ankara—the latter of which views the project as an indispensable link to Gulf markets and key to facilitating north-south trade.

2. "Syria and UAE's DP World ink $800m deal for port development," *Middle East Monitor*, May 16, 2025, https://www.middleeastmonitor.com/20250516-syria-and-uaes-dp-world-ink-800m-deal-for-port-development/ ;
3. "Syria signs new 30-year deal with French shipping giant CMA CGM," Reuters, May 1, 2025, https://www.reuters.com/business/syria-signs-new-30-year-deal-with-french-shipping-giant-cma-cgm-2025-05-01/.
4. Kai Keller and Ben Simpfendorfer, "Why China and the Gulf's deepening economic ties are about more than just oil," *World Economic Forum*, August 14, 2023, https://www.weforum.org/stories/2023/08/why-china-and-the-gulfs-deepening-economic-ties-are-about-more-than-just-oil/.

Source: Türkiye-Iraq Development Road Project: Enhancing regional connectivity, trade." Anadolu Agency, September 16, 2023, https://www.aa.com.tr/en/middle-east/turkiye-iraq-development-road-project-enhancing-regional-connectivity-trade/2993555#

Despite the initiative's great promise and high stakes, numerous challenges could impede its ultimate success. With an estimated cost of $17 billion, financing from Abu Dhabi and Doha will certainly buttress the project, but neither specific amounts nor means of contribution have been ironed out. Without funding from these Gulf partners, the IDRC may fail to become a cohesive corridor. Additionally, Iranian-backed proxies with considerable power in Iraq could benefit from the corridor, raising the risk for regional escalation and the prospect of political interference from the West. At the same time, hostile groups like the PKK in Kurdish regions could leverage their animosity toward Ankara to undermine the project's success. Conspicuously, the IDRC does not include or incorporate Iran, and more importantly Iraqi Kurdistan, a region that represents approximately 15% of Iraq's GDP, and would require significant conflict resolution between Ankara and Erbil for this crucial part of the country to be included.

Successful or not, the project is not only key to the region's economic development, but also to the future political stability of Iraq and Turkey's increased integration into the MENA bloc.

C. Belt and Road Initiative

Launched in 2013 by Chinese President Xi Jinping, the BRI is a sweeping global infrastructure and investment program that aims to reshape international trade routes and project Chinese influence across Asia, Africa, Europe, and beyond. Encompassing over 140 countries and involving trillions of dollars in pledged funding, the BRI has become one of the most ambitious diplomatic and economic undertakings of the 21st century.[5]

Framed by Beijing as a win-win for global development, the initiative seeks to revive the ancient Silk Road trade networks through a combination of land-based corridors and maritime shipping lanes. In practice, however, BRI has also served as a powerful vehicle for China's geopolitical ascendance, drawing criticism for fostering debt dependency, enabling authoritarian entrenchment, and sidelining environmental and labor standards.

> **Successful or not, the project is not only key to the region's economic development, but also to the future political stability of Iraq and Turkey's increased integration into the MENA bloc.**

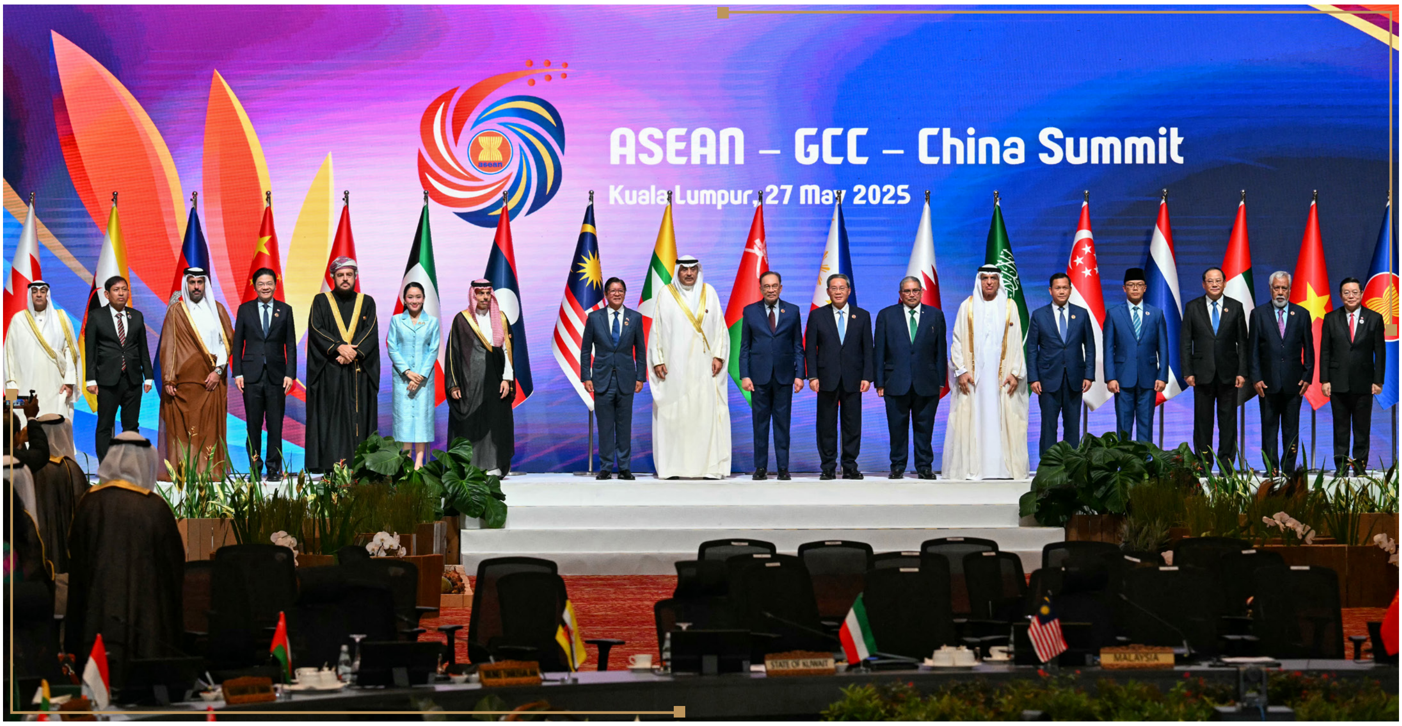
Key to the initiative's expansion has been China's deepening engagement with the Global South, where it finances ports, railways, highways, and energy projects in regions often overlooked by Western capitals. BRI agreements in Africa surpassed $20 billion in 2023, and the continent evolved as the primary destination of BRI outward investments.[6]

Gulf states, with their strategic positioning and surplus capital, have figured prominently in BRI planning, with countries like the UAE and Saudi Arabia forging strong economic partnerships with Beijing and serving as logistical and technological hubs. Despite its vast scope, BRI faces mounting challenges—including pushback from indebted countries, rising competition from alternative corridors like IMEC, and a shifting global mood that is increasingly wary of China's ambitions. As the world pivots toward multipolarity, BRI remains a central—though contested—pillar in the evolving architecture of global connectivity.

BRI and IMEC reflect different strategic approaches to developing international trade linkages, shaped by the priorities of the states involved. While China operates with a centralized vision, the countries participating in IMEC each have distinct interests and governance structures, leading to local variations in implementation. Domestically, China faces significant infrastructure demands, requiring continued investment in its transportation efficiency. Similarly, larger Arab states, while ambitious in their push for inter-regional connectivity, must first address domestic logistical challenges to fully reap the benefits of global trade networks.

5. Spencer Feingold, "China's Belt and Road Initiative turns 10. Here's what to know," *World Economic Forum*, November 20, 2023, https://www.weforum.org/stories/2023/11/china-belt-road-initiative-trade-bri-silk-road/#:~:text=China%20officially%20announced%20the%20Belt,countries%20and%2030%20international%20organizations.
6. Jana de Kluvier, "Africa has much to gain from a more contained BRI." *Institute for Security Studies*, July 24, 2024, https://issafrica.org/iss-today/africa-has-much-to-gain-from-a-more-contained-bri.

In the context of the global economy, China remains an integral player in economic corridors, maintaining extensive infrastructure investments worldwide—including with many nations within IMEC. Overwhelmingly, the developing world does not wish to pick sides between China, India, and the United States; they seek greater economic integration with powerful countries and potential sources of investment, regardless of their alignment. Although America's recent turn against free markets under the Trump administration is a cause for concern, developing nations continue to desire engagement with Washington whenever and however possible.



Leaders and officials from ASEAN, the Gulf Cooperation Council (GCC), and China pose for a group photo during the ASEAN-GCC-China Summit following the 46th ASEAN Summit in Kuala Lumpur on May 27, 2025, (AFP).

Economic Corridors: Geopolitical Influence and Competition

A. Beyond Transit: The Gulf's Corridor Diplomacy

The geopolitical stakes surrounding economic corridors extend far beyond commerce. Corridors are becoming instruments of strategic influence, with governments leveraging trade and infrastructure projects to assert influence and enhance diplomatic relations.

The IMEC, BRI, and IDRC corridors demonstrate how infrastructure projects can shape global power structures. For instance, the IMEC is often framed as a competitor to the BRI and, as a result, a riposte against Chinese influence. It is possible, however, that China's rising stature and the evolving perception of U.S. leadership will tilt the advantage toward projects like the BRI over IMEC. Indeed, China has gradually gained political capital in the Middle East following its successful efforts to broker a diplomatic rapprochement between Iran and Saudi Arabia. But while Beijing's economic footprint is undeniable, the durability of its influence remains to be seen.

For the Gulf states, involvement with these corridors must be deliberate, as no capital in the region wants to pick sides in a proxy war between China and the United States. Saudi Arabia has long embodied this non-alignment policy by engaging with BRICS but eschewing official membership to avoid alienating Washington. Moreover, as trade routes shift eastward, the GCC is likely to deepen commercial and financial ties with India, even as global competition to build infrastructure risks creating excess capacity and a mismatch between job opportunities and workforce readiness.

To avoid being relegated to passive transit states, GCC countries must articulate their own corridor visions tailored to regional priorities such as green energy, food security, and digital integration. Without Gulf-led initiatives, there is a risk that regional needs will be overshadowed by external geopolitical agendas. By balancing participation in BRI, IMEC, and the IDRC, the Gulf states have transformed from passive recipients of investment to active shapers of regional connectivity agendas. This newfound agency reflects a shift from dependency to active engagement with a more multipolar international order.

B. Institutionalizing Competition and Cooperation

A crucial question for analysis is whether economic corridors complement or compete with each other. While they offer opportunities for connectivity and integration, overlapping initiatives risk redundancy and inefficiency. For example, the UAE has opted for a pragmatic, non-aligned strategy for corridors, engaging with the most corridors while avoiding entanglement in geopolitical rivalries.

Cross-corridor synergies are increasingly shaping the conversation around global trade and infrastructure, raising the question of whether these developments represent a new era of cooperation or merely a subtler form of competition. Cooperation and competition are closely interwoven in any case; no single country can develop these corridors in isolation, making collaboration essential. Institutionalizing these corridors—through mechanisms that involve not just governments but also private sector—can help manage this duality by creating structured spaces for dialogue and risk mitigation. However, institutionalization can also slow progress if it leads to bureaucratic delays, potentially hindering the timely implementation of infrastructure and connectivity projects. To minimize bureaucratic inertia while preserving coordination, corridor governance structures should prioritize agile frameworks—such as task-specific working groups, time-bound steering committees, and public-private partnerships—that allow for faster decision-making and adaptive implementation without sacrificing oversight or inclusivity.

Internationally, economic corridors are often viewed through a lens of strategic rivalry, particularly in the context of China and the West. While competition exists, it is not inherently destabilizing unless it disrupts corridor operations. China's response to IMEC, which has remained cautious rather than openly hostile, reflects Beijing's strategic confidence in the long-term effectiveness of the BRI. While it may not see IMEC as an immediate threat, Beijing is closely monitoring such initiatives as part of a larger pattern of alternatives to a China-anchored trading system. China's clear preference to work within existing frameworks is part of a broader institutional buffering strategy—absorbing or neutralizing rival initiatives without open confrontation.

Finally, the cost-efficiency of faster but more expensive shipping remains uncertain. Still, these corridors hold the potential to connect previously excluded producers to global trade networks, creating new economic opportunities and encouraging regional growth. An example is Central Asian states such as Kazakhstan, Uzbekistan, and Turkmenistan—previously excluded from global trade due to landlocked geography and post-Soviet isolation—have leveraged emerging trade routes like China's Belt and Road Initiative, the Middle Corridor, and the North-South Transport Corridor to gain market access. These overland corridors have enhanced connectivity with Europe, China, and South Asia, enabling more efficient integration into global supply chains and revitalizing their economic prospects. Ultimately, corridors like IMEC and BRI reflect a dynamic interplay between cooperation and competition. Their long-term success will hinge not only on geopolitical strategy or financial backing, but also on inclusive governance, public engagement, and the ability to adapt to shifting economic and environmental realities.

A man prints a poster of Emir of Qatar Sheikh Tamim bin Hamad Al Thani at a printing house in Doha, Qatar on June 12, 2017. (Photo by Mohamed Farag / ANADOLU AGENCY / Anadolu Agency via AFP)

Financing likewise remains a major challenge for the corridors, as large-scale infrastructure projects require sustained investment. Europe's hesitation so far to commit substantial funds has placed the financial burden on Gulf states, raising concerns about the projects' long-term viability.

> **Ultimately, corridors like IMEC and BRI reflect a dynamic interplay between cooperation and competition.**

A number of threats pose significant risks to economic corridors, particularly with regard to geopolitics. All three of the corridors discussed in this report run through politically unstable regions; Iranian activity in the Strait of Hormuz, the regional conflict in Gaza, and broader U.S.-China tensions all have the potential to disrupt trade flows. IMEC's long-term success depends on whether geopolitical volatility in the Middle East can be effectively managed.

C. Institutional Gaps in Corridor Development

Challenges such as weak institutional capacity, limited transparency, regulatory misalignment, and potential corruption continue to hinder the effective implementation of projects associated with economic corridors. Surplus infrastructure capacity and overestimated demand likewise threaten the sustainability of corridor projects and may result in costly inefficiencies. Indeed, the World Bank estimates that nearly one-third of construction efforts go to waste—further hindering prospects for the crucial physical elements of any regional corridor to succeed. The success of these corridors depends on ensuring that investment aligns with demand, or certain projects may be underutilized.

It is also important that countries align their regulatory frameworks to ensure seamless implementation across economies. A mismatch in industry regulations in the GCC could hinder efforts to streamline transportation networks with India or Turkey. For example, the long-delayed expansion of Kuwait's international airport raises broader concerns about the viability of the IDRC, particularly given Turkey's central role in the airport's construction. Despite being one of Turkish Limak Holdings' flagship construction projects in the region, the initiative has faced repeated setbacks over its 14-year trajectory, including unexplained contract suspensions, withdrawn tenders, and bureaucratic complications.

While the IDRC presents strategic and logistical advantages, its narrow geographic scope reveals both its political utility and its potential vulnerabilities. For example, the IDRC benefits from its limited scope in that the corridor only traverses Iraq—reducing the need for Baghdad to undergo time-consuming negotiations with its neighbors. Because Iraq has a good deal of control over the success of the project, Baghdad has been willing to take political risks in pursuit of this goal. Iraq's decision to declare the PKK an illegal organization reflects its desire to curry favor with Ankara. At the same time, the limited nature of the IDRC may also limit its effectiveness. Without external actors to ensure projects are transparently executed, corrupt officials or political dysfunction could stymie progress. Iran's ability to influence Iraqi decision-makers also poses a serious risk to the IDRC, as Tehran stands to lose access to trade routes which distribute resources to proxy forces.

In the Gulf, limited civil society engagement has emerged as a key obstacle to building public trust and ensuring the legitimacy of projects like the IMEC. The G20 offers a model for the GCC, having created formal engagement groups to gather non-binding input from civil society and shape policy recommendations. The IMEC currently lacks such mechanisms, instead relying on informal platforms like workshops, which leave it vulnerable to perceptions of exclusivity and top-down decision-making.

In contrast to the IDRC's narrow framework, IMEC suffers from the opposite problem: an expansive and loosely defined institutional structure raises serious questions about IMEC's coherence, coordination, and political sustainability. Opposition to IMEC in any one participating country could threaten the entire project because of its decentralized structure.

To its strength, China has approached its infrastructure projects in typically centralized fashion, working bilaterally with partner states to integrate BRI into existing institutional frameworks rather than implementing new institutional approaches. Because Chinese contractors have access to state financing, they are better equipped to take on larger and riskier projects. Enticing potential BRI partners with easy funding, China has been able to gain access to new supply routes and resources through the construction of critical infrastructure in strategic regions.

Corridors Driving Economic Growth in the GCC

A. The Gulf's Corridor Gamble: Diversify or Entrench?

Economic corridors could play a crucial role in the Gulf states' long-term strategy to transition from government-driven growth to economies boosted by indigenous private sectors. In a region where government-owned industries—especially oil and gas—still account for over 20 percent of GDP, economic corridors offer an additional avenue to diversify.[7]

Before the emergence of major economic corridors like IMEC and BRI, the Gulf's national "vision" plans drove investments in infrastructure, trade, and regional integration, such as through the creation of economic zones and international regulatory frameworks. Governments invested in distinct zones such as the Khalifa Industrial Zone Abu Dhabi (KIZAD), which is estimated to generate 100,000 jobs and contribute up to 15 percent of Abu Dhabi's non-oil GDP by 2030.

Though economic corridors would appear an obvious boon for the diversification-minded GCC states, they may prove less beneficial than anticipated.

Though economic corridors would appear an obvious boon for the diversification-minded GCC states, they may prove less beneficial than anticipated. Other countries' experiences with the BRI have shown that Beijing tends to gain more from the infrastructure it constructs than the hosts themselves. In the Gulf states, China has promised to boost economic diversification through the construction of ports using Chinese funding and expertise. However, China's motivation for investing in these ports stems from its interest in gaining further access to the Gulf oil market. In the end, rather than enable the Gulf states to find new trade partners, these ports entrenched the region's reliance on energy exports.

To remedy this, the Gulf states have increasingly recalibrated their engagement with the BRI—transforming from passive recipients of investment to active stakeholders shaping the initiative's trajectory. For example, Gulf SWFs have invested in China's electric vehicle industry, including the development of local production capabilities in partnership with China, such as a NIO and CYVN Holdings joint venture to establish a research and development center in Abu Dhabi focused on autonomous driving and artificial intelligence advancements. This both furthers economic diversification and fosters deeper economic ties between the GCC and China, highlighting their active role in shaping the BRI. Moreover, it is clear that China recognizes that it cannot finance the BRI alone; it has collaborated with Gulf nations to fund shared infrastructure projects. As a result, Gulf states have assumed leadership roles in these initiatives, often wielding greater influence than initially anticipated.

As the BRI's primary competitor, the IMEC—if it came into fruition—could position the GCC as a key player in global markets and could lower inflation by reducing transportation costs and time to decrease overall inflation pressures. Enhancements in the transportation sector can directly benefit other industries, reinforcing the need for economic diversification, which should align with efforts to diversify state income sources.

The region's development structure heavy with state-led capitalism raises questions about whether economic corridors will be able to cater to a more resilient and balanced growth model that benefits the broader society and local communities. Until now, economic diversification in the Gulf has largely been driven by oil and gas

7. International Monetary Fund. Middle East and Central Asia Department, *Gulf Cooperation Council: Pursuing Visions Amid Geopolitical Turbulence Economic Prospects and Policy Challenges for the GCC Countries*, (Washington, D.C.: International Monetary Fund, 2024),https://www.elibrary.imf.org/view/journals/007/2024/066/article-A001-en.xml.

wealth, raising concerns about the financial infrastructure's readiness to sustain a more varied economy. For example, megaprojects complementary to BRI objectives such as Kuwait's Silk City and the Subiya Causeway draw funding from government reserves, which remain reliant on energy profits. The high costs of diversification have been compounded by the government's inability to reduce spending due to an inconsistent fiscal foundation. Between 2008 and 2024, for instance, Saudi Arabia's government expenditures averaged $44 billion, reaching an all time high of $75 billion in the fourth quarter of 2023.

Like Beijing's use of the BRI to expand influence and build interconnected trade networks, Gulf states can leverage their geographic position, energy wealth, sovereign wealth, and logistics infrastructure to become indispensable nodes in global commerce. By investing in infrastructure, closely coordinating economic policies, and promoting digital trade and connectivity, the GCC can increase their strategic relevance across Asia, Europe, and Africa. These corridors can also serve as platforms for projecting soft power, attracting foreign investment, and securing energy and technology partnerships. Much like China did post-2008, Gulf states can use economic corridors to diversify away from oil, mitigate global economic volatility, and embed themselves deeper into global supply chains. With cohesive planning, the GCC can transform from regional players into global economic orchestrators.

B. Corridors as Gulf Geoeconomics

As Gulf states deepen their commitment to economic diversification and regional integration, they are turning to economic corridors not just as infrastructure, but as strategic tools for influence and resilience. Global precedents—such as the Suez Canal, China's Belt and Road-linked China-Pakistan Economic Corridor (CPEC), and regional efforts like the Abidjan-Lagos Corridor—highlight how corridor projects can dramatically reshape trade flows, unlock investment, and elevate the geopolitical standing of host states. Within the Gulf, projects like the GCC Railway and potential participation in IMEC reflect this evolving calculus: corridors are no longer simply about moving goods—they are about embedding the region in global value chains, attracting strategic capital, and extending influence across borders. If executed with strategic clarity, these corridors could allow Gulf states to simultaneously scale their tech ambitions, reduce transport and energy vulnerabilities, and strengthen their role as conveners in a fragmented global order.

US President Donald Trump is seen on a giant screen during his address by video conference at the World Economic Forum (WEF) annual meeting in Davos on January 23, 2025, (AFP).

One of the most notable historical examples of a successful economic corridor is the Suez Canal, which has served as a vital maritime corridor linking Europe to Asia for more than 150 years. By dramatically shortening shipping routes and reducing transit times, the canal has played a crucial role in accelerating global trade and establishing Egypt as a strategic hub for international commerce.

Two more contemporary examples are the CPEC and the GCC Railway. CPEC is a major component of China's Belt and Road Initiative connecting China's western Xinjiang province to Pakistan's Gwadar Port on the Arabian Sea through an integrated network of roads, railways, and energy infrastructure. By reducing reliance on longer maritime routes and opening up new trade pathways, CPEC has significantly improved regional connectivity, attracted foreign investment, and positioned Pakistan as a pivotal trade and logistics hub between South Asia, the Middle East, and Central Asia.

Within the Gulf, the GCC states are working to construct the "GCC Railway," a rail nexus that aims to streamline the movement of goods and people across the Arabian Peninsula by connecting ports, industrial zones, and urban centers. Once completed, it is expected to reduce freight costs, enhance intra-Gulf trade, and support economic diversification efforts across the region—strengthening the Gulf's integration into global supply chains while deepening regional interdependence.

The reason why the GCC railway is so important is that for developing economies, the absence of access to high-quality infrastructure and linkages to foreign markets limits public capital stock and hinders the exploitation of existing trade ties. These railways and corridors aim to reduce transport costs, improve international market access, while also enhancing income, addressing infrastructure gaps, and enabling core competencies through production fragmentation.

More broadly, corridors can optimize interregional energy flows, foster digital connectivity, ensure food security, enhance national security, and promote infrastructure development, all of which could drive sustainable economic growth, strengthen regional stability, and create a foundation for long-term prosperity. In West Africa, for instance, the Abidjan-Lagos Trade and Transport Facilitation Project spanning Côte d'Ivoire, Ghana, Togo, Benin, and Nigeria is estimated to have benefited 53 million people by allowing for easier movement of people and goods—and therein improving access to food and commerce. Within the Philippines, the U.S.-backed Luzon Economic Corridor has led to improved food supply, commercial access to valuable minerals, and the development of an indigenous tech sector, with a litany of knock-on benefits for the country.

IMEC, which would facilitate trade and logistics between India, the Middle East, and Europe, may offer economic benefits beyond traditional commerce. According to the joint memorandum of understanding announcing IMEC, "Participants intend that the corridor will increase efficiencies, reduce costs, enhance economic unity, generate jobs, and lower greenhouse gas emissions"—each of these aims dovetailing with the GCC states' long-term economic plans. Similar benefits have come from the BRI, including improvements in connectivity, better access to technology, and job creation. However, while China has promised sustainable development through the BRI, 45% of surveyed leaders in partner states have reported worsening levels of air and water pollution. Meanwhile, Iraqi officials state that the IDRC will bring economic diversification while contributing jobs and funding to the Iraqi green energy sector.

The integration of these corridors is essential for the most efficient transportation of goods. This is particularly important given the fact that IMEC and BRI share several key logistics points, including the UAE's Khalifa Port and Haifa Bayport. Corridors such as the GCC Railway offer opportunities to diversify and link trade routes if they are able to successfully cooperate with larger economic corridors such as IMEC and BRI. The

GCC Railway's position in the Gulf serves as a strategic trade bridge in IMEC's plan to connect India with Europe, further emphasizing the need to coordinate these initiatives.

As Gulf states deepen their engagement with emerging corridor initiatives, projects like IMEC offer a glimpse into how strategic infrastructure can align with broader economic and political objectives. To maximize their economic and geopolitical gains from corridors like IMEC, the Development Road, and the BRI, GCC states should adopt a strategy inspired by China's geoeconomic model that focuses primarily on economic gains—while recognizing that minimizing foreign policy tensions can significantly enhance their returns. This approach involves reducing friction with Iran, advancing a resolution to the Israeli-Palestinian conflict, and strengthening state institutions in Syria and Iraq to counter the growing influence of militias.

C. Bridging Ambition and Capacity: Workforce Readiness in Gulf Connectivity Projects

While economic corridors promise economic expansion, their sustainability hinges on workforce readiness. Gulf labor markets face persistent skill shortages, requiring substantial investments in education, vocational training, and technology adaptation. Sustaining government spending on large-scale infrastructure projects will require enhanced financial infrastructure, private-sector engagement, and improved regulatory frameworks.

The GCC states—and Saudi Arabia in particular—have envisioned many "megaprojects" to aid in their economic diversification. These projects cannot be successfully implemented without a population equipped with the necessary skills to sustain them. While each GCC state allocates on average 13% of its annual budget to education, years of reform have yet to yield the desired results. Many students still lack essential skills. According to the World Bank's Human Capital Index, a child born in the GCC today is only expected to reach 62% of their productivity potential, highlighting the urgent need for more effective educational strategies.

> **Economic corridors must balance ambition with sustainability. Policymakers must ensure that diversification efforts align with long-term economic planning and labor force development rather than merely short-term gains.**

Economic corridors also raise broader social concerns, particularly in the Gulf region. Youth unemployment in the Middle East is a regional problem, averaging around 25% in the Middle East and North Africa. Despite significant investment in education in the Gulf and a lower youth unemployment rate than in the Middle East overall, youth unemployment in the Gulf—estimated at approximately 10% in the United Arab Emirates, 15% in Kuwait, and 16% in Saudi Arabia—remains an endemic challenge.

Infrastructure projects must prioritize job creation for local populations, rather than relying excessively on foreign labor. While certain initiatives, such as "Saudization" of the workforce in Saudi Arabia, have made some progress, a lack of skilled labor among local populations still necessitates the recruitment of foreign workers to fill key roles. China, with its wealth of human capital, has served as an invaluable resource for GCC infrastructure projects. This reliance on expatriate labor, while essential for project completion, has the potential to foster resentment among local workers.

Worker protections are also a growing concern, particularly in the context of climate change. Rising temperatures in the Gulf disproportionately impact low-wage workers, raising questions about labor rights and workplace protections. The massive infrastructure projects inherent to projects like IMEC, BRI, or IDRC demand long hours for these workers in some of the world's hottest conditions. Beyond this, China Labor

Watch has documented the withholding of identification documents, threats and use of physical violence to prevent workers from running away, and enforced signing of contracts in overseas BRI projects. Such working conditions match the International Labour Organization's (ILO) definition of forced labor. If these projects are to be successful, ensuring fair labor practices will be essential to sustaining social stability and the long-term success of these corridors. Economic corridors must balance ambition with sustainability. Policymakers must ensure that diversification efforts align with long-term economic planning and labor force development rather than merely short-term gains.

D. AI and Labor Market Disruptions

While AI-driven automation offers efficiency gains, it also raises concerns about job displacement, particularly in labor-intensive sectors. In the Gulf states, where economies are transitioning to service and technology-driven models, AI-enhanced productivity could lead to major advances in workforce development. In other regions of the world—South Asia, for example, where much of the world's manufacturing is concentrated—AI could have the opposite effect in the short term, undermining manufacturing jobs and negatively impacting overall employment.

AI adoption in the Middle East is transforming industries, but it is also displacing jobs. In sectors like retail and banking, automation is replacing roles such as cashiers and customer service agents with chatbots and self-checkout systems, and manufacturing industries are increasingly using robotics, reducing demand for labor. McKinsey estimates that by 2030, nearly 45% of current jobs in the Middle East could be automated. Expat workers and those with lower education levels are particularly vulnerable.[8] To mitigate these effects, governments and businesses are investing in reskilling programs, focusing on AI, cybersecurity, and digital skills to prepare the workforce for new opportunities.

Economic corridors can allow countries to better adapt AI to their respective needs while still promoting economic development and regional integration. To mitigate workforce disruptions, the GCC states must invest in AI-driven upskilling programs, ensuring both white- and blue-collarworkers are equipped with the necessary skills to participate in the digital economy. For example, India's investment in AI training programs provides a model for how workforce adaptation can be integrated into broader economic planning while the Gulf will continue to invest in nascent AI technologies and both regions can benefit from their respective strengths.

People visit the 9th Silk Road International Exposition and the Investment and Trade Forum for Cooperation between East & West China in Xi'an City, northwest China's Shaanxi Province, 21 May 2025, (AFP).

8. Jan Peter aus dem Moore, Vinay Chandran and Jorg Schubert, *The Future of Jobs in the Middle East*, (Dubai: World Government Summit, 2018), https://www.mckinsey.com/~/media/mckinsey/featured%20insights/middle%20east%20and%20africa/are%20middle%20east%20workers%20ready%20for%20the%20impact%20of%20automation/the-future-of-jobs-in-the-middle-east.pdf.

Digitizing Corridors: The Gulf's Next Frontier

The integration of digital technology is revolutionizing economic corridors, transforming trade efficiency and infrastructure management. Gulf states have positioned themselves as digital pioneers, leveraging artificial intelligence and smart logistics to enhance trade routes and improve supply chain transparency. However, the expansion of digital infrastructure is not just an economic imperative; it is also a strategic necessity.

The adoption of new technologies—particularly the use of AI and big data—can significantly improve efficiency in trade corridors. Smart ports, such as the UAE's Jebel Ali Port, utilize AI-driven traffic management systems, automated customs clearance, and blockchain-driven supply chain management to reduce transaction costs and enhance trade security. AI-assisted infrastructure's swift processing times reduce operational costs and carbon emissions, making these smart ports more sustainable and competitive. More smart port infrastructure development based on this model is being led by the Saudi Ports Authority (Mawani), including Egypt's Alexandria Port and China's Port of Chengdu. Following President Trump's visit to the GCC, a new wave of AI-enabled data centers is being launched across Gulf states. These facilities are expected to serve as key nodes in corridor-linked supply chains and act as critical connectivity hubs.

The wealthier Gulf states, such as Saudi Arabia, the UAE, and Qatar appear to be hyper focused on digital connectivity and this could affect how they approach traditional physical infrastructure projects. This change reflects broader trends in globalization and could have implications for the future success of economic corridors. At the same time, China is still active in furthering technological connectivity in its projects, as part of the BRI includes the coordination of standardization efforts to influence AI standards in developing states. As the Gulf states seek out China's technological expertise to build infrastructure, they would be more likely to adopt its AI and technology standards—a worrying trend for the United States. The technology for these corridor projects is often Chinese in origin, but China is not "imposing" its digital capabilities on the region; rather, the nations of the Middle East are actively pursuing these digital investments to align with their own strategic goals. It is clear that the digital elements of trade and technological cooperation are becoming just as important as traditional logistics.

The Gulf states' involvement in economic corridors can greatly benefit from the digital payments revolution by streamlining cross-border transactions and reducing reliance on traditional banking intermediaries.

To complement their smart infrastructure, the Gulf states have also adopted more advanced digital payment rules, such as the Central Bank of Bahrain's 2019 blockchain regulatory framework, which positions Gulf economies as innovative trade hubs. Blockchain technology ,in particular, is useful for improving efficiency; its transparency and real-time settlement capabilities can enhance trust, efficiency, and security in complex, multi-country trade. The Gulf states' involvement in economic corridors can greatly benefit from the digital payments revolution by streamlining cross-border transactions and reducing reliance on traditional banking intermediaries.

Corridors like IMEC and BRI must evolve beyond railways and ports to include the digital arteries—fiber-optic cables, data centers, and AI logistics systems—that increasingly underpin global commerce. Gulf states, with their existing 5G infrastructure and digital ambitions, are well positioned to lead in this emerging domain. Additionally, Gulf participation in corridors like IMEC can also serve environmental diplomacy. Embedding green logistics, electrified rail, and carbon accounting into corridor design will not only future-proof these initiatives, but also support Gulf ambitions to lead in climate innovation, particularly ahead of future climate change Conference of the Parties (COP) summits.

As these technologies become mainstream, economic corridors must ensure that regulatory frameworks evolve to keep pace with digital transformation. Fintech funding gaps, regulatory bottlenecks, and data security concerns pose risks to the digital economy. While Gulf states have made strides in digital governance, ensuring interoperability with global standards remains an ongoing challenge. Regulations like Saudi Arabia's strict data localization laws can pose barriers to the technical elements that will strengthen modern trade corridors. However, they can also prove to be beneficial if leveraged properly. Riyadh's techno-regulatory strength, coupled with its capital liquidity, have forced other states to align with its developmental strategy for these novel technologies. Such a strategy can be extended to international corridors, where the Gulf states themselves can set standards and practices, encouraging the aforementioned interoperability, but on their terms.

GCC Secretary General Jasem Albudaiwi and foreign ministers from Kuwait, Qatar, Oman, Egypt, Saudi Arabia, Bahrain, and the UAE pose after the 163rd GCC Ministerial Council meeting in Mecca on March 6, 2025. (Photo: Amer Hilabi/AFP)

Conclusion

Economic corridors are reshaping global trade and diplomacy, offering new opportunities for regional integration and economic development. However, these initiatives also come with complex geopolitical, financial, and regulatory challenges that must be addressed to ensure their long-term viability.

Economic corridors are more than just logistical pathways: they are instruments of geopolitical strategy, economic diversification, and regional stability. The Gulf states are at the heart of this transformation, using trade and infrastructure projects to solidify their position as global economic hubs. Their strategic engagement in multiple corridors, combined with investments in digital trade and energy connectivity, places them at the forefront of the evolving global economy.

Despite the promise of economic corridors, risks remain. Political instability, regulatory misalignment, and financial constraints could hinder the effectiveness of these projects. To mitigate these risks, policymakers must prioritize pragmatic investment strategies, institutional cooperation, and inclusive governance. They must also ensure that these projects benefit local populations, providing economic opportunities and workforce development.

Looking ahead, economic corridors will continue to play a critical role in shaping global trade dynamics. The success of these initiatives will depend on how effectively nations navigate geopolitical complexities, secure sustainable financing, and implement strategic policy frameworks. By fostering multilateral cooperation, leveraging technological advancements, and promoting financial sustainability, economic corridors can become powerful engines of growth and stability in an increasingly interconnected world.

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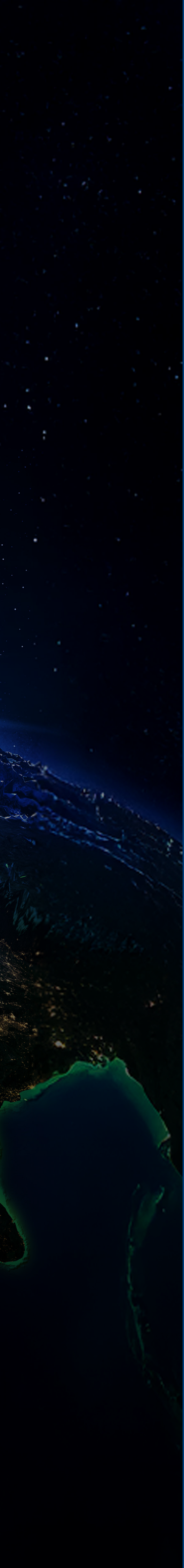

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