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**UNITED NATIONS INDUSTRIAL  
DEVELOPMENT ORGANIZATION  
(UNIDO)**

**FACILITATING THE TRANSITION FROM OIL  
DEPENDENCY TO DIVERSIFIED  
INDUSTRIAL DEVELOPMENT IN ARAB  
STATES**

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## Basic Overview of the Issue

In the contemporary global economy, the resources that a nation holds within its borders are of vital importance. Since the initiation of the Industrial Revolution in the 18th century, the ownership of natural resources has increasingly become a matter of supremacy in the realm of international relations. Nations with advantageous geopolitical locations gained power, as production and industry gradually transcended the agriculture based economy that preceded the Industrial Revolution. Until July 14 of the year 1848, drilling of the first oil well in Baku, the cruciality of the utilization of gas and oil was not necessarily discovered. When Major Aliveev drilled the first oil well, they used a primitive cable-tool drilling technique that originated in China. Since then, the oil industry has developed into being one of the prominent energy industries in the globe. The dominion of oil has not yet diminished in the world and it has remained the sole source of energy for a variety of countries in the international scene. Oil was first discovered in the United States of America (USA) when two citizens named George Bissel and Edwin L. Drake used a homemade rig to drill the soil. The dig was performed near Titusville, Pennsylvania.

In 1889 Daimler Moto Company started the production of gasoline engines in the US that were utilized in the construction of trams, cars, fire engines and boats. Similar inventions and means of production followed the initial discoveries and eventually led to oil being used as the primary source of fuel and production all around the world. The utilization of oil spread to a plethora of industries, making it impossible to survive in the world of commercial business without benefiting from oil resources. With oil taking over the global financial stage, it has become evident that it was consequential in maintaining strength in the international community. Consequently, colonial powers such as the US, the United Kingdom, and France began to prioritize areas which were rich in oil and petroleum underground resources. This

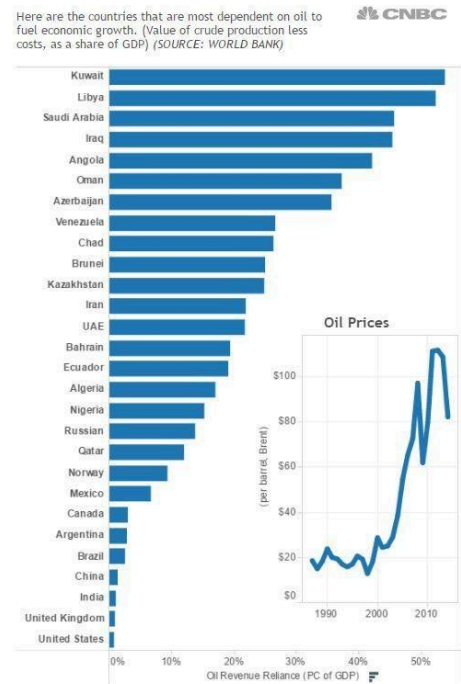


Figure 1: Graph demonstrating states that are most dependent on oil



created an understanding that oil was the sole source of power in the global economy, establishing a race of oil ownership.

The region of the Middle East is one of the regions that contains the world's largest oil shares. With countries like the Islamic Republic of Iran and the Kingdom of Saudi Arabia being leading powers in oil drilling and ownership, the region is highly saturated with rich resources. However, with the region being highly underdeveloped, it was inevitable that the countries would be dependent on merely means of production that are dependent on oil. In the same vein, the ongoing armed conflicts and diplomatic struggles prevent the diversification of economic activities of Arab states. The oil dependency reached tremendous heights after World War I since some of the Arab states were just starting to gain their independence and they started off as less economically developed countries because of their colonial history. The past three decades witnessed the unprecedented economic transformation of the member states of the Cooperation Council of the Arab States: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). Oil profits were used to modernize architecture, infrastructure and other factors of basic quotidian life that were essential for the survival of the economy. Even the life expectancy in these areas increased by 10 years to 74 years during the time interval of 1980-2000. All of this made Arab states with rich petroleum resources dependent on oil. Although there have been attempts at diversifying the economic profits of these countries, the issue remains prevalent and a menace to the plausible development of the Middle East.

## Explanation of Important Terms

### *Oil Dependency*

The term "oil dependency" is utilized in order to signify a situation where a nation or government is dependent on oil reserves and oil fuelled industries to enhance their economy. This is observed in states where economic diversification is relatively low and the economic practices tend to be relying on one energy source that is abundant in the country.

### *Petrostate*

A petrostate is a country that is highly dependent on the utilization and consumption of



oil reserves. In a contemporary instance, a petrostate would not be able to develop or maintain their economic practices without the rich oil resources they possess.

### *Organization of the Petroleum Exporting Countries (OPEC)*

The Organization of the Petroleum Exporting Countries (OPEC) was founded in Baghdad in 1960, with headquarters in Vienna and Algeria, Congo, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi-Arabia, the United Arab Emirates and Venezuela as member states. OPEC's main objectives as set out in its statute are price stability and regular consultations of all Member States on common production and market policies. The Oil ministers of OPEC Member States agree on Common guidelines regarding production policies and quotas at regular meetings in Vienna. (German UN Mission Vienna, 2024)

### *Volatility*

Volatility is a measure of the frequency and magnitude of changes in the price of a stock, exchange-traded fund (ETF), cryptocurrency, or other security. The larger and more frequent the price changes, the more volatile the underlying security. Volatility is of particular importance in the world of options trading, as it's one of the key components of Black-Scholes-Merton and other option valuation models. In the realm of oil dependency in the Arab States, this term refers to the fluctuations in the market of oil.

### *Economic Diversification*

Economic diversification is the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets. Traditionally, it has been applied as a strategy to encourage positive economic growth and development. In the context of climate change adaptation, it takes on a new relevance as a strategy to diversify away from vulnerable products, markets, and jobs toward income sources that are low-emission and more climate resilient. (Brookings, 2022)

### *Oil Reserves*

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates



involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. (Society of Petroleum Engineers, 2024)

### *Renewable Energy*

Renewable resources are natural resources that can be replenished naturally over time and are not depleted when used. Some examples of renewable resources include sunlight, water, wind, and trees. We can use these resources to generate power, heat our homes, and provide us with food and building supplies. (Britannica, 2024)

### *Energy Security*

Energy security means having stable access to energy sources on a timely, sustainable and affordable basis. Access to energy is not only crucial in supporting the provision of basic needs - such as food, lighting, water, and essential health care, but it is first and foremost a precondition to economic growth, political stability and prosperity. (Reuters, 2024)

### *Industrial Revolution*

Industrial Revolution, in modern history, the process of change from an agrarian and handicraft economy to one dominated by industry and machine manufacturing. These technological changes introduced novel ways of working and living and fundamentally transformed society. This process began in Britain in the 18th century and from there spread to other parts of the world. Although used earlier by French writers, the term *Industrial Revolution* was first popularized by the English economic historian Arnold Toynbee (1852–83) to describe Britain's economic development from 1760 to 1840. (Britannica, 2024)



## Detailed Background of the Issue

The large deposit of oil was first discovered in modern day Iran, which is located in the Middle East. However, oil production in the region did not fully initiate until the end of World War II. After 1945, when the whole world entered into a period of recovery from the devastation encountered, Arab countries in the Middle East were just starting to embrace their independence, since they have been exploited by European powers for decades. This sense of accomplishment that arose from the establishment of independent Arab states, paved the way for a nationalist environment in the Arab world. The young governments of the Middle East endeavored to find ways to gain their economic independence from the rest of the world in order to show to the global community that they were a tangible part of the international arena. The newly discovered power of oil reserves was a key to economic power in the global stage for Arab countries. The contemporary usage of oil derives from the initial need to develop the Middle Eastern economy. Currently, the oil industry is one of the wealthiest in the entirety of the globe, making it a target for prominent powers like the United States of America, the United Kingdom or other European countries. In countries where technological and humanitarian development are fairly low, oil dependency tends to be increasingly escalating. This is a result of a failure to invest in other types of economic development like agriculture, trade or tourism. Since various parts of the Middle East have been active war sights, it is complex to develop an economy that benefits from a thriving tourism approach. Additionally, many political insurgencies affect trade relations between Arab States and the Western world. Diplomatic unrest results in a decrease in benevolent trade between nations, making it intricate for nations to find other means of commercial business to engage in with other countries.

### Historical Exploitation of Oil

Exploitation of Oil reserves has acted as one of the main forces in the molding of industrial and geopolitical modernity. The rapid growth of this industry, dating from the end of the 19th century, was in response to the energy demands of the Industrial Revolution. These demands had to be met with an energy resource more efficient and versatile than coal already was. Its high energy density, easy transportation, and adaptability for use in various purposes and industries made it an important factor in industrialization. The internal



combustion engine, invented in the early 20th century, managed to further integrate oil as a main power source for automobiles, ships, and airplanes, as a result, revolutionizing transportation around the world. During both WW1 and WW2, oil's strategic importance became obvious as it was the main power source for military vehicles, aircraft, and naval fleets. The world became heavily dependent on oil after the war for rebuilding the global economy at hand and meeting industrial and consumer demands. Oil became crucial, as a raw material for products such as chemicals, medicines, and goods considered critical to economic and industrial growth. Moreover, access to supplies of oil became a big decisive factor for geopolitical power, which then allowed nations to influence not only global markets but even international policies. Such as the 1973 Oil Crisis (OPEC Embargo) where Arab members of OPEC imposed an oil embargo on countries supporting Israel during the Yom Kippur War, including the U.S. and many Western nations.

### Usage of Oil in Arab States

Among these countries, the Arab world, particularly, has gone through some of the most extreme changes following the discovery of oil. Commercially exploitable oil reserves were initially found starting from 1932 in Bahrain and subsequently huge deposits of oil reserves in Saudi Arabia, Kuwait, Iraq, and UAE. These supplies contained a very high percentage of world oil supply, turning this region into one of the energy production and distribution centers. Until recently, it was a Western-dominated oil industry: for example, Standard Oil and British Petroleum dominated the industry until, in the mid-20th century, nationalization gave control over production and revenues to Arab authorities. This new control over the oil reserves allowed the Arab states to use oil as a type of tool of political leverage-most famously during the 1973 oil embargo, where supplies were cut to Western nations supporting Israel, leading to an energy crisis that reshaped global markets. Economically, oil wealth transformed the Arab nations into nations that funded large-scale infrastructure projects, education systems, and healthcare advancements, while opening new investment opportunities in global markets. In addition, the 1960 formation of OPEC gave these countries the right to control their production and to stabilize prices in the world markets.



## Oil Reserves in Arab States

Countries in the Middle East possess the richest petroleum resources in the entirety of the globe. The contemporary share of oil reserves owned by Middle Eastern countries is equal to 48.3% of oil resources in the whole world (Anadolu Agency, 2023). This means almost half of all oil produced comes from the Middle East.

### *Dominion of Petrostates*

States such as Saudi Arabia, the Islamic Republic of Iran, Kuwait, Bahrain, the United Arab Emirates, Qatar contain the largest amount of oil resources within their borders because of their fortunate geopolitical location. The nations that surround the Persian Gulf or the Arabian Gulf are rich in terms of petroleum materials. As a result, these countries, which are mostly Arab States, dominate the oil market in the international community. The importance of oil for the economy of the Middle East can be tangibly seen when statistics are scrutinized. Oil revenue accounts for a significant part of the profits of Arabian governments. For instance, in the Kingdom of Saudi Arabia the oil sector contributes over 40% of its GDP and 87% of budget revenues (Harvard, 2024). Similarly, in the United Arab Emirates, the main source of wealth is oil trade. This dependency has led the countries to explore other sources of revenue, forcing them to open up to the world. It can be evidently seen that the UAE and the Kingdom of Saudi Arabia have been commercializing their touristic sights by making it an attractive destination for travelers. This is because the countries foresee that the absurd amounts of oil consumption will eventually lead to a shortage in the industry, leaving Arab States with infertile land and extremely high temperatures that are hostile to agriculture. In an attempt to prevent this, these nations have been investing in other sources of profit such as tourism and technology.

## Intervention of Foreign Nations

Although Venezuela also has a prominent amount of oil reserves, the sanctions applied to the country prevent it from gaining its place in the international oil race, hence making it easier for Arab States to create a dominion in the business of petroleum. Possessing the largest number of oil reserves does not necessarily mean having power in the oil industry, most nations are targeted by Western states that act as predators over the





resources. Through political and diplomatic pathways, countries like the United States of America pave their way to being the most prominent actor in the oil industry.

Countries that are often deemed as powerful in the international stage also utilize their military units to dominate regions with rich resources. The United States of America has been endeavoring to form alliances with countries in the Middle East such as the Kingdom of Saudi Arabia, in order to establish its presence in the oil rich lands of the Arabian Peninsula. This can be perceived as a result of foreseeable economic and strategic desires of the USA, making it evident that petroleum rich lands face interest all across the globe.

## Oil Wars

This prevalent interest in oil rich lands has caused inevitable disputes and disagreements within the international community. With the region containing various violent armed groups and governments that gained independence after decades of resilience, it can be evidently seen that the Middle East is a region that is open to conflicts and violence. This quality of the region has paved the way for external forces to intervene. It has also led to various armed conflicts between local governments, demonstrating the importance that is attributed to the oil industry.

### *The Gulf War (1990-1991)*

The Gulf War was a series of international conflicts and armed confrontations between the nations of Iraq and Kuwait. Iraq accused Kuwait of drilling into Iraqi soil for oil and violating OECD regulations. As a result of this conflict, a US-led coalition intervened and allegedly resolved the issue. However, this demonstrated how foreign actors might be acting out of benefit instead of peaceful foreign diplomatic relations with the Middle East. This adds complexity to the matter, as the conflicts that occur can also be bolstered by the intervention of the foreign powers.

### *Iran-Iraq War (1980-1988)*

The Iran-Iraq war took place between two states that are major actors in the oil industry: Iran and Iraq. The dispute initiated from a disagreement in shipping routes that were essential for oil trade. Shatt-al Arab waterway was the route in question. Although there were other intentions and background reasons to the war such as the sectarianist approach that the both governments embodied, the main reason was that



Iraq desired domination over oil revenues, and hence a dispute regarding the trade pathways initiated. This is because both nations are highly dependent on oil, causing them to risk whatever it takes to gain more profits from oil resources within their reach.

## Alternative Energy Sources

Throughout history, the Middle Eastern region has been an infertile area for agriculture. This has led the countries to be dependent on abundant resources, like oil. However, in the last decade it has come to the attention of the international community that petroleum resources are not infinite, and can be affected by shortages. This made countries search for better alternatives that are also sustainable and suitable for an environmentally friendly means of production. Since most of the Arab States have high temperatures, solar energy is one of the alternatives that is thought to be benevolent. It is also one of the few alternatives currently used by the Arab countries. The reason for that is that building infrastructure for solar energy is relatively cheap and the industry will not face any shortages in the foreseeable future. Another resource utilized is wind turbines. The majority of Arab States are located in dry areas and are composed of enormous deserts. The windy climate in the deserts allow for a sustainable energy source usage, making it efficient as well as productive for the countries to build wind turbines. However, these alternatives have not yet reached their full potential and still require assistance to overthrow oil from being the most dependable source.

## Economic Impact of The Usage of Sustainable Energy in Arab States

The economic effects of the transition to sustainable energy in Arab States are deep, and unpredictable. The dependence of these nations on oil exports is going to be improved by the diversification of their economies, and they will suffer less from the swings of the global oil markets. It should be underlined that sustainable energy systems, such as solar and wind power plants, will over time emerge as cost savings, reducing dependency on imported fuels, and clearing consumed electricity production costs. Economic resilience is strengthened with energy independence because savings could be diverted to other essential sectors such as health care, education, or technological innovation. Through sustainability, Arab countries might also find a chance to emerge as leaders in a sustainable energy market to compete with international investments and set up global partnerships.



Besides enhancing the economic stability of nations, the shift towards sustainable sources increases in parallel with the trend in the global economy which at the end, guarantees that such economies will remain viable in the long run.

### Diplomatic Impact of The Usage of Sustainable Energy in Arab States

Sustainable energy is likely to have serious geopolitical and diplomatic implications for Arab States. As the Arab nations shift from traditional energy exports to becoming new leaders in sustainable energy production, it will be interesting to watch how the balance of power at the global level dramatically shifts. Those countries that can generate sustainable energy and export will also take on new diplomatic powers in trying to influence global energy markets and international policies. Conversely, the demand for fossil fuels will mitigate the geopolitical influence of the traditional oil-exporting nations. The strategic importance of sustainable energy projects might also raise the interests of global powers, which would include potential alliances on access to infrastructures and resource issues. These developments can set a competitive barrier among neighboring economies where unequal adoption of sustainable resource technologies may bring about competitive advantages. High-performing sustainable energy economies may create opportunities for faster economic development, enhancing their gap with counterparts. All these scenarios can alter the internal relationships of the relevant countries with each other having both valuable and harming outcomes regarding the implementation of mass sustainable energy usage.

### Benefits to Nature With the Implementation of Sustainable Energy

The environmental benefits of using renewable energy in the Arab States is a major advance for some of the most critical challenges facing the region. Solar and wind energy systems produce no greenhouse gases while operating, slow down climate change, and have a huge contribution in the tropicalization of urban areas as well as industrial areas through improved air quality. With renewable energy, the residents will experience lower disease rates and environmental harm caused by pollution in metropolitan and industrial areas. Furthermore, renewable energy systems reserve limited natural resources, including oil and natural gas, leaving them available for more valuable applications than energy production-such as petrochemical production. Save on precious water-a resource that is also hugely saving renewables. Fossil fuel- or even nuclear-powered plants use huge amounts of



exorbitantly precious water for their cooling purposes. In the Arab region, which has very little water, it is even better by decreasing the amount of water consumed in solar and wind power systems. Overall, these environmental benefits escalate ecological sustainability.

## Major Parties Involved

### *The Kingdom of Saudi Arabia*

As the largest Arab economy and one of the leading oil exporting countries in the world, the kingdom has an important role in the efforts of the region to move away from oil dominance. It has been said that the economy of Saudi Arabia historically has been highly oil dependent where approximately ninety percent of the government earnings and forty percent of the GDP have been as a result of crude oil revenues. However, realising the danger of this oil dependence, the country has begun its Vision 2030 initiative which has set out a strategy to look for an economic mix that does not solely rely on oil. The aim is to encourage new investment, innovation and entrepreneurship in technology, tourism, entertainment and manufacture. This transition of Saudi Arabia is also influenced by its position and responsibility as the head of OPEC (Organization of the Petroleum Exporting Countries) which is one of the prominent players in the global oil industry. The influence of such leadership especially in the oil production quotas of OPEC will have a major bearing on its global diversification strategy. However, it is also recognized that heavy dependence on oil revenues does not support the economy for a long term and therefore more investment in non oil areas are required.

### *United Arab Emirates (UAE)*

It is well known that the UAE, specifically Dubai and Abu Dhabi, has managed to diversify its economy in a relatively successful manner on the global stage. Taking note of the economic structure of the country, it is evident that although there are large oil resources, the government however purposefully tackled other sectors including real estate, finance, tourism, trade, aviation, and technology so as to minimize the dependency on oil exports. In less than twenty years, Dubai has spread its wings to all parts of the globe and is an



economic center for over ten categories of businesses like trade, tourism, and finance, eventually growing a strong diversified economy. Furthermore, the construction of the Dubai International Financial Centre and the proliferation of high-end tourism catered to the development of the economy of this city. Contrarily, the UAE capital has been more cautious in pursuing its diversification mandate. Abu Dhabi Investment Authority, its sovereign fund, has invested in various sectors like renewable energy, healthcare and education. In fact, the Abu Dhabi Masdar City project seeks to position itself as a blueprint of sustainable and green technologies while at the same time supporting the aspirations of the UAE to cut down its carbon emissions.

### *Qatar*

Qatar is one of the nations that value its economic diversification. The country has recently invested in many cultural activities like sports or cultural tourism in an attempt to diversify its economy and find other sources of income other than its abundant resources of oil. Evidently, it is one of the nations that holds a huge deal of oil resources in its possession and hence is a very important counterpart of the Middle East.

### *United States of America (USA)*

The United States is a major power in the Middle East that endeavors to establish its presence in the oil rich Arab States. Through its collaboration with the Kingdom of Saudi Arabia, the country has initiated its military and economic presence in the region, making it impossible to deny that the USA is one of the major actors in the oil industry. The USA has been a mediator in some oil conflicts in the Middle East that took place over the last century. Its role in the Middle East allows the country to intervene in the oil industry whenever it sees a benefit for the nation. Consequently, the USA will remain as a major counterpart of the oil industry for the foreseeable future.

### *Russian Federation*

Being one of the largest global energy exporters, Russia has essentially depended on the revenues from oil and gas for economic lifeblood. But, gradually but surely, Russia is tapping investments in renewable energy, nuclear energy and advanced manufacturing industries, as it recognized the urgency for diversification. It has remained focused on



expanding natural gas exports and stepping up involvement in global energy markets, especially in Europe and Asia.

### *Organization of the Petroleum Exporting Countries (OPEC)*

OPEC plays a key role in facilitating Arab states' transition from oil dependency into diversified industrial development. Many OPEC countries, especially from the Gulf, are investing in renewable energy and advanced manufacturing, with others investing in non-oil sectors like tourism and technology. By managing oil production to stabilize revenues, OPEC allows its members to allocate funds towards such diversification into a more resilient economy, thus preparing for a time when fossil fuels are no longer central to their economies.

### *United Kingdom (UK)*

The United Kingdom of Great Britain and Northern Ireland has been a major actor in the politics of petroleum since the emergence of colonialism. The country has major ties with the Islamic Republic of Iran through the Anglo-Persian Oil Company, which was one of the most prominent oil companies in the Middle East. The UK also holds a major economic power in the region through its alliances with the USA and other nations of the Middle East.

## **Chronology of Important Events**

<b>Date</b>	<i>Description of Event</i>
<b>February 14, 1945</b>	US-Saudi Agreement on the USS Quincy
<b>September 14, 1960</b>	Formation of Organization for the Petroleum Exporting Countries (OPEC)
<b>October 6-25, 1973</b>	Yom Kippur War and Oil Embargo: Arab States refusing to export petroleum to Western states that support Israel.



<b>September 22 1980</b>	Start of the Iran-Iraq War
<b>March 27 1986</b>	Global Oil Price Collapse
<b>August 20, 1988</b>	End of the Iran-Iraq War
<b>August 2, 1990</b>	Start of the Gulf War
<b>February 28, 1991</b>	End of the Gulf War

## Relevant International Documents

- The 2030 Agenda for Sustainable Development, September 25, 2015 (**A/RES/70/1**)
- Protection of the Global Climate for Present and Future Generations of Humankind, December 19, 2005 (**A/RES/60/197**)
- Adoption of the Paris Agreement, December 12, 2015 (**FCCC/CP/2015/L.9/Rev.1**)
- Implementation of the United Nations Framework Convention on Climate Change, December 23, 2013 (**A/RES/68/210**)
- Follow-up to the International Conference on Financing for Development, December 20, 2012 (**A/RES/67/199**)
- Cooperation Between the United Nations and the League of Arab States, December 19, 2019 (**A/RES/74/223**)
- Addis Ababa Action Agenda, July 16, 2015
- Doha Declaration on Financing for Development, December 2, 2008
- Abu Dhabi Sustainability Declaration, January 21, 2019
- League of Arab States Economic Summit Declaration, January 19, 2009



## Past Attempts to Resolve the Issue

Alongside the efforts of the governments of the Arab States, there have been attempts that aim to foster sustainable development in the oil industry. Solving the issues that derive from oil resources can only be achieved through diminishing oil dependency. One of the primary organizations that contribute to this cause is the United Nations Development Programme (UNDP). UNDP aims to promote Sustainable Development Goals (SDGs) of the United Nations, particularly in the field of energy development. The organization also partnered with local governments in the GCC in order to foster manufacturing opportunities and increase productivity in the region. These attempts were done in order to provide the countries with sufficient workforce to develop infrastructure and enrich other industries, hence avoiding oil dependency.

Some nations also implemented new ways of energy production and endeavored to build the infrastructure necessary to sustain the economy. Noor Abu Dhabi Solar Plant is one of the energy sources built with the aim of cutting the levels of oil dependency in the UAE. Although the implementation was a contributing step towards economic diversification in the country, it is viewed as inadequate to be integrated into the country, hence not being able to cover the energy that oil production provides for the country. Additionally, when used in international trade, oil production transcends the profit that is earned from solar energy. This, along with the economic concerns of Arab States, prevents solar energy from advancing into being a prominent source. King Abdullah City for Atomic and Renewable Energy (KACARE) is one of the initiatives that takes the nuclear practices of the international community into account. The project was planned to provide Saudi Arabia with enough energy to sustain itself. It promises the efficient use of nuclear energy in the Arab world, making it one of the biggest initiatives aimed to decrease oil dependency and support sustainable energy production.

The United Nations and international organizations have not stayed silent about the economic and environmental impact of oil dependency. Since most Arab States that are relevant to the matter have economic concerns about the application of economic diversification policies, they require financial aid from international organizations. The World Bank, for instance, has provided Iraq with financial aid in order to support its economic





diversification initiatives. The loan was \$3 billion and aimed to support the infrastructural development in the region for non-oil energy practices.

There have been attempts specifically put in action by local governments. One of the examples of this is the Vision 2030 project of the Saudi government. This initiative aims to diversify the economic resources of the country to ensure that the nation will not be dependent on oil when shortages start to occur. As part of this program, Saudi Aramco, a majority state-owned petroleum and natural gas company, raised \$29.4 billion which was utilized to enhance non-oil energy industries. Even though this initiative is a start to the development of energy diversification in Arab States, the Kingdom of Saudi Arabia still has not been able to completely cut its strong ties with oil profits. Another reason that this attempt is inadequate in achieving a more diversified industry in the Middle East is that some countries like Iraq are not developed enough to fund them. The governments have to prioritize other deficiencies in the country like famines or access to sufficient wages, rather than funding sustainable development. This urgency in other matters of quotidian life transcend the importance of environmental impact of petroleum. Consequently, the economic diversification in Arab States is not rapid enough to compete with the ever changing global economy.

## **Solution Alternatives**

One of the important measures to ensure long-term economic resilience and sustainability would be to help the Arab States move from being oil-dependent to a more diversified pattern of industrial development. For many years the economy of the region depended on oil exports making it susceptible to both market and political instabilities and thus the advent of new ideas that extend beyond the typical should be encouraged. This agenda calls for visionary planning that does not only for new technologies but also enhances the ability to cooperate, create and sustain, and reach out to people across the region. In doing so, Arab States are able to seek leadership positions for industries of the future while further adding to the value of their cultural traditions and natural environments. The following proposals seek to provide a vision for the future and put forth practical strategies that will serve the intended purpose of transforming the region.



In order to implement viable actions to diminish oil dependency in Arab States, the most important matter to comprehend is that the Middle East is a region that contains countries which are highly underdeveloped. For that reason, the primary subject to address should be aiding countries like Iraq to implement new technologies and infrastructural development to the energy industry. It is obvious that solar panel technologies and wind turbines require tangible financial resources to be able to be built in an amount that is sufficient to sustain the majority of the energy needs of a nation. This requires collaboration and embracing modern technological developments. Through OECD and League of Arab States (LAS) the nations have the potential to aid each other with the most recent technological developments in the energy industry.

Additionally, it is important to note that one of the main reasons that Arab States are dependent on oil is that it is their only source of income that is viable enough to aid the government to sustain itself on a regular basis. Other sources of profit that some countries use are tourism, trade, industrial development and private investment. However, because of the rough terrain that some Arab countries have it is hard to maintain a tourist flow into these countries. Even if the terrain is adjusted to fit the needs of the tourists, the ongoing international and domestic conflicts in the Middle East prevent the attraction of tourists. Hence, in order to completely resolve the issue of oil dependency and economic despair, it is crucial to put an end to the armed violence in the Middle Eastern region. Even though this may not be achieved, it is safe to say that any development in the region might be far-fetched without paramount security achieved. Examples of tourism being used as a backup economic income source are the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia. These countries have been endeavoring to appeal to Western tourists in order to attract more currency to their nations. This strategy, however, is still under the shadow of diplomatic and armed chaos in the region and many tourists are reluctant to travel to even relatively safe countries like UAE and Qatar. In order to resolve the issue as a whole, delegates shall consider collaboration among states that are dependent on oil while also hinting at the resolution of prominent conflicts and hostile diplomatic affairs in the region.



## Useful Links

- [https://mecouncil.org/blog\\_posts/economic-diversification-is-the-gccs-top-priority/](https://mecouncil.org/blog_posts/economic-diversification-is-the-gccs-top-priority/)
- <https://www.worldbank.org/en/news/press-release/2023/11/22/economic-diversification-efforts-paying-off-in-gcc-region-but-more-reforms-needed>
- <https://www.oxfordenergy.org/publications/economic-diversification-in-arab-oil-exporting-countries-in-the-context-of-peak-oil-and-the-energy-transition/>
- <https://www.sciencedirect.com/science/article/abs/pii/S2214790X19303375>
- <https://pubmed.ncbi.nlm.nih.gov/articles/PMC8397598/>
- [https://www.researchgate.net/publication/333929186\\_Economic\\_Diversification\\_in\\_MENA](https://www.researchgate.net/publication/333929186_Economic_Diversification_in_MENA)
- <https://assets.kpmg.com/content/dam/kpmg/ae/pdf-2024/08/unlocking-diversification-en.pdf>
- <https://www.offshore-mag.com/home/article/16762472/middle-east-geology-why-the-middle-east-fields-may-produce-oil-forever>
- <https://www.bbc.com/news/science-environment-67513901>
- <https://www.bbc.com/news/articles/cgry10924jqo>
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