

**WORLD
GOVERNMENTS
SUMMIT 2026**

REPORT

Smart Trade Diplomacy: Enhanced Alliances In A Multipolar World

Beyond traditional
trade agreements

in collaboration with



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Executive Summary

A New Era of Disruption

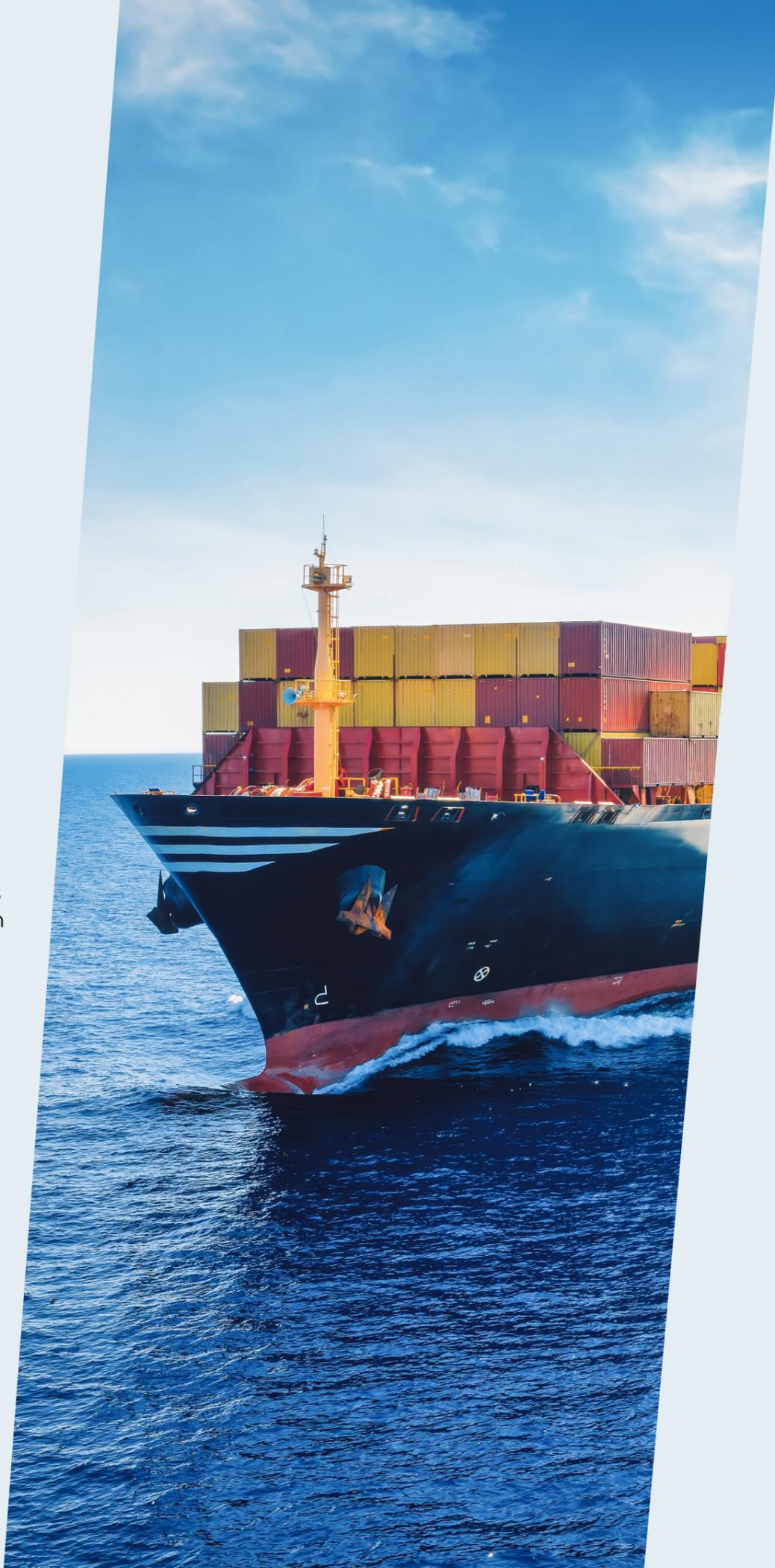
Global trade has entered a decisive and disruptive phase. The era of open, efficiency-driven globalization once the backbone of the world economy is fracturing under the combined weight of geopolitical tension, tariff volatility, and fuel price instability. For decades, companies optimized supply chains for the lowest cost as countries competed on openness. That model has now been fundamentally upended.

Today, resilience, not efficiency alone, increasingly defines competitiveness. This shift has created a structural “uncertainty cost” across global trade: a hidden premium that businesses and governments must absorb to manage political risk, price volatility, and supply chain disruptions. Uncertainty is now a defining feature of global commerce, requiring contingency planning, that was largely unnecessary a decade ago.

Fragmentation as a Systemic Risk

Geopolitical realignments are reshaping trade and investment flows, fragmenting supply chains and reversing many of the integration gains of the last three decades. Policymakers warn that severe fragmentation could reduce long-term global output by up to 7%, as production systems duplicate and technology transfer slows.¹

This trend is visible in the rapid proliferation of trade barriers. According to Global Trade Alert, discriminatory trade measures have tripled since 2019 _ from 956 to 3,049 _ impacting China, North America, Europe, and India most significantly.² Policy-driven fragmentation has introduced friction across the trading system. Tariffs, sanctions, and export controls have proliferated, raising compliance costs and reducing exporters’ planning confidence, particularly in emerging markets vulnerable to abrupt shifts in US trade policy.³



Geopolitics and Supply Chain Disruption

Geopolitical instability continues to magnify supply chain risks, particularly in seaborne traffic, which constitutes the majority of global trade. Security challenges in critical maritime corridors have become a constant phenomenon. Most notably in the Red Sea and Suez Canal, vessels were forced to reroute thousands of miles around Africa, adding 10-14 days to transit times and significantly increasing freight costs.⁴ In late 2023, for instance, hundreds of vessels detoured away from the Red Sea due to regional conflicts, causing a two-thirds drop in Suez traffic and a corresponding surge in longer voyages around the Cape of Good Hope.⁵ Fuel price volatility, driven by geopolitical uncertainty, is compounding cost pressures across logistics networks.⁶ These price swings intensify operational unpredictability and further strain global supply chains.

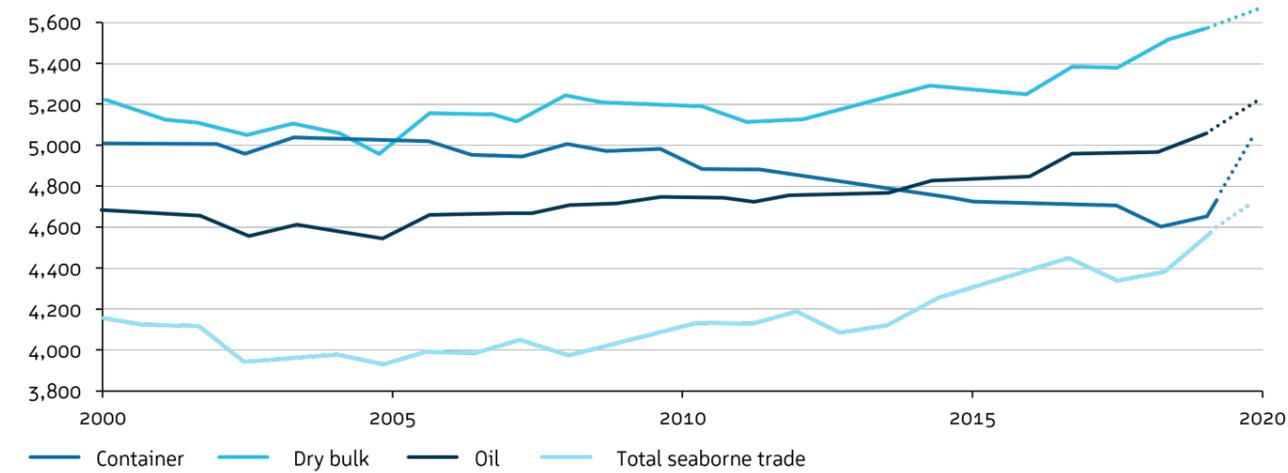
Figure 1: Panama and Suez Canals: Number of monthly ship transits



Source: UNCTAD calculations from Clarksons Research Shipping Intelligence Network

Figure 2: Black Sea, Red Sea, and Panama Canal disruptions increase shipping distances

Nautical miles, 1999-2024



Source: UN Trade and Development (UNCTAD) calculations, based on data from Clarksons Research. Note: Figures for 2024 are forecasts.

Trade Strategy in Transition

Against this backdrop, global trade strategy is shifting from cost optimization to continuity and risk management. Many businesses are reorganizing production and sourcing to be closer to end-markets or aligned political partners – approaches widely known as near-shoring and friend-shoring. These strategies reduce exposure to geopolitical shocks and supply chain disruptions by shortening routes, diversifying suppliers, and strengthening alignment with politically stable or strategically aligned countries. Companies are also diversifying suppliers, building strategic inventories, investing in digital supply-chain visibility, securing long-term contracts, and redesigning logistics networks to withstand future shocks.

What began as a tentative trend has accelerated sharply since the pandemic and successive waves of trade conflict. It has now moved firmly into the mainstream as companies reassess the vulnerabilities inherent in long, globally dispersed production networks.⁷ Resilient, politically

aligned supply chains are increasingly viewed as a strategic necessity rather than a premium option.⁷

The Middle East's Role in Global Trade Resilience

Amid global volatility, the Middle East is poised to play a stabilizing role in global trade. The region occupies a pivotal position in world commerce, linking Asia's manufacturing hubs with Europe and Africa through key trade corridors. Together, the Suez Canal-Bab el-Mandeb route and the Strait of Hormuz handle a significant share of world maritime traffic – the Suez corridor alone accounts for around 12-15% of global trade by volume,⁸ while Hormuz carries about 20% of seaborne oil trade.⁹

Complementing these maritime flows, the region's airports – including Dubai, Doha, Abu Dhabi, and Riyadh – rank among the world's largest air freight gateways. On land, expanding cross-border highways and the planned GCC Railway are creating integrated freight corridors that link ports, airports, and industrial zones.

Across the Gulf Cooperation Council (GCC) region, national visions increasingly emphasize trade diversification, connectivity, and sustainability as levers for competitiveness. For example, the United Arab Emirates' 'We the UAE 2031' agenda puts trade diversification and connectivity at the forefront of long-term economic strategy. This plan has set an ambitious target to reach around US\$1.1 trillion in non-oil foreign trade by 2031. The UAE's non-oil trade hit a record US\$817 billion in 2024,¹⁰ already achieving around 75% of its 2031 target. Such ambitions highlight a regional opportunity to translate vision into tangible trade connectivity between the East and West. Saudi Arabia, Qatar, and several other countries across the region have similar ambitions and strategies.

GCC governments are expanding trade agreements, lowering barriers and strengthening links with high-growth markets in Asia and Africa. The UAE is leading

this shift through a fast-growing network of Comprehensive Economic Partnership Agreements (CEPAs) and new free trade agreements (FTAs) that are opening access to key global markets and deepening integration into global value chains. As diversification accelerates, open trade is emerging as a key driver of competitiveness, investment attraction and long-term economic resilience across the region.

Building on these ambitions, the region is moving towards what can be termed Smart Trade Diplomacy, a framework that combines trade policy, infrastructure development, digital systems and green logistics into a unified approach. Through FTAs that expand predictable market access, investment in multimodal transport and ports, airports and rail and road infrastructure that turn agreements into corridors, as well as digital customs systems that enhance speed and transparency, the region can align its trade competitiveness with resilience goals.



Section 1

Maximizing Trade Pathways Between The Middle East, Africa, And Asia

Section 1

Several international organizations have recorded the historic redistribution of global trade activity. The World Trade Organization (WTO) has pointed to “a sharp turn in the global trade landscape,” noting that the disruption in US China trade is likely to trigger “significant trade diversion,” to 9% in most regions outside North America, while US imports from China in key sectors such as textiles, apparel, and electrical equipment will contract. This gap, the WTO suggests, may provide least-developed countries with new opportunities to expand into the US market.¹¹

More than three-quarters (78%) of global firms are now reconsidering how and where they operate, diversifying trade partners to minimize exposure to tariff escalation, sanctions, and logistical disruption.¹² This reconfiguration is most visible along the trade corridors spanning the Middle East, Africa, and Asia, where Gulf Cooperation Council (GCC) states, led by the United Arab Emirates (UAE) and Saudi Arabia, have positioned themselves as architects of a new trade geography.

Recent years have seen a strategic and diplomatic reinforcement of relations, marked by the inaugural GCC-Central Asia Heads of State Summit held in Jeddah in July 2023, followed by a second summit in May 2025. These meetings underline growing connectivity between the Arabian Peninsula and the Silk Road economies of Central Asia.¹³ Additionally, the September 2025 Shanghai Cooperation Organization Summit highlighted the GCC’s emerging role within Eurasian frameworks, particularly the GCC’s capacity to connect

transport routes, trade flows, and cross-border investment across continents.¹⁴

Together, these developments point to a new era of **Smart Trade Diplomacy**, where the Middle East strengthens alliances, builds connectivity, and leverages its strategic location to shape trade flows in a multipolar world.

A Diplomatic Shift Toward Corridor Resilience

The GCC’s emerging trade diplomacy reflects a shift from simple market access to corridor resilience. A decade ago, trade liberalization meant tariff reduction; today, it means embedding customs interoperability, investment protection, and predictable logistics access. This is the philosophy underpinning the UAE’s Comprehensive Economic Partnership Agreements (CEPAs). As of October 2025, the UAE has concluded 13 CEPAs across Asia, Africa, and Europe, forming one of the most extensive modern trade networks among emerging economies.¹⁵

The UAE-India CEPA, agreed in 2022, sets the benchmark. It removed tariffs on nearly 80% of traded goods¹⁶ and simplified customs processes, enabling bilateral non-oil trade to exceed US\$84 billion in the first full year of implementation. The UAE’s non-oil trade with India grew by 20.5% to exceed AED240 billion (US\$65.35 billion) in 2024, compared to AED199.3 billion (US\$54.27 billion) in 2023, reflecting the strong investment and commercial

potential between the two nations. India ranked as the UAE's top non-oil export destination in 2024, accounting for 13.5% of the total. Bilateral trade has also evolved

in composition, with high-tech products, electrical machinery, and gems and jewelry accounting for a growing share of export flows.¹⁷

Figure 3: PwC Middle East analysis of the UAE-India CEPA, 2025 ^{18 19}



Notes: (1) The value-addition requirement is lower for gems and jewelry (around 3-7%) due to the nature of the production process, which supports the sector's competitiveness and encourages jewelry exports to the UAE.

Sources: Ministry of Economy and Tourism (UAE), Ministry of Commerce and Industry (India), The Trade Promotion Council of India, Gulf News, Assocham India, Asia One, Asian Lite, Saudi Journal of Economics and Finance, Arab News, Nitsara.

The UAE-Türkiye²⁰ and UAE-Indonesia CEPAs²¹ extended this architecture east and west, covering more than 90% of trade lines. These pacts include energy cooperation, industrial partnerships, and digital-trade, aligning the GCC with Asia's fastest-growing manufacturing economies. Additionally, the UAE-Kenya CEPA marks the UAE's first comprehensive deal with a mainland African nation. Bilateral non-oil trade reached US\$3.1 billion in 2024 (January-September), up 29% from the previous year.²²

Qatar has also expanded its trade partnerships and commercial platforms to strengthen market diversification. The Trade and Economic Partnership Agreement between Qatar and Türkiye, which entered into force in August 2025, removed or reduced tariffs on a broad range of goods and introduced new mechanisms to facilitate trade in industrial, agricultural, and consumer sectors.²³

At a continental scale, the African Continental Free Trade Area and its Guided Trade Initiative (GTI) continue to expand commercially meaningful trade under agreed rules of origin, facilitating the aggregation for GCC-bound exports. The GTI supports businesses in participating African countries to combine cargo so that shipping and customs are more efficient, for example. Under a pilot "consolidated export" initiative in Rwanda, local could combine multiple products into a single consignment using a national export board license.²⁴ This helps reduce logistics costs, improves access to markets, and creates larger trade-lots that are more attractive to international buyers or larger hubs.

Aligning the initiative with GCC trade agreements has created an integrated value chain that connects African production with GCC re-export platforms and broader Asia-Europe trade flows.²⁵



Trade Facilitation as a Policy Multiplier

To convert trade agreements into tangible flows, GCC countries are coupling policy with practical trade facilitation tools. The UAE's logistics ecosystem exemplifies this integration. DP World, the Dubai-based global ports operator, manages over 60 marine and inland terminals across Africa, Asia, and Europe,²⁶ including in Dakar, Berbera, and Maputo in Africa.

Within the UAE, purpose-built trade platforms serve as extensions of CEPA diplomacy. Dragon Mart, the world's largest Chinese trading hub outside China, connects more than 4,000 suppliers to buyers across the Middle East and Africa.²⁷ The forthcoming Bharat Mart, a 2.7 million sqft marketplace in Jebel Ali, will offer 1,500 showrooms, integrated warehousing, and on-site customs clearance for Indian exporters.²⁸ Beyond the UAE, similar investment-driven trade platforms are emerging across the region. In Saudi Arabia, J&T Express has announced plans to develop one of the Middle East's largest smart logistics industrial parks, anchored by automated sorting centers, warehousing systems, air-cargo facilities, and an e-commerce industrial park in Riyadh.²⁹ In Oman, SOHAR Port and Freezone, along with the industrial corridor at Duqm Special Economic Zone, is expanding rapidly, attracting Asian manufacturers seeking distribution and light-assembly capabilities for Gulf and African markets.³⁰ Similarly, K Dragon Mart in Doha, a 21,000sq m² Chinese wholesale hub, hosts over 150 companies across 300 shops.³¹

Together, these initiatives highlight the region's increasing engagement in regional and international trade, reinforcing its role within the GCC's evolving commercial landscape.

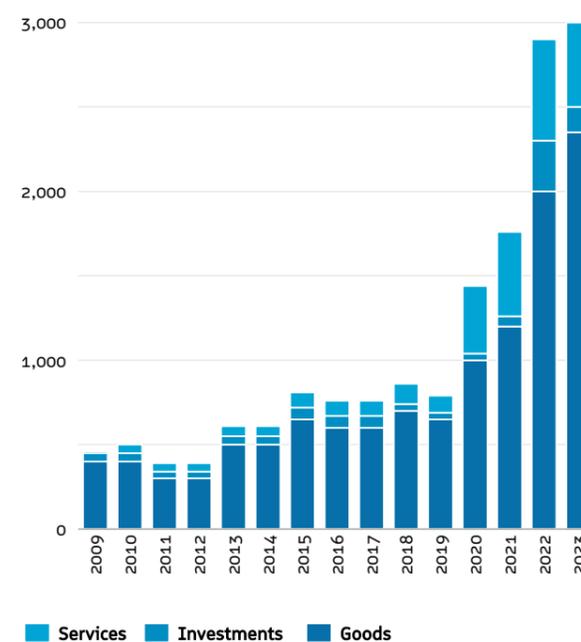
Managing Tariffs, Distance and Fuel Costs

Since 2019, the number of new trade restrictions has more than tripled, while fuel and insurance costs have surged amid conflict-driven route detours. With many vessels now avoiding the Red Sea and rerouting around Africa, average Asia-Europe voyages are 10-14 days longer, leading to significantly higher fuel costs. For GCC transshipment hubs, whose competitiveness is closely tied to fuel and freight prices, these shifts impose material costs.

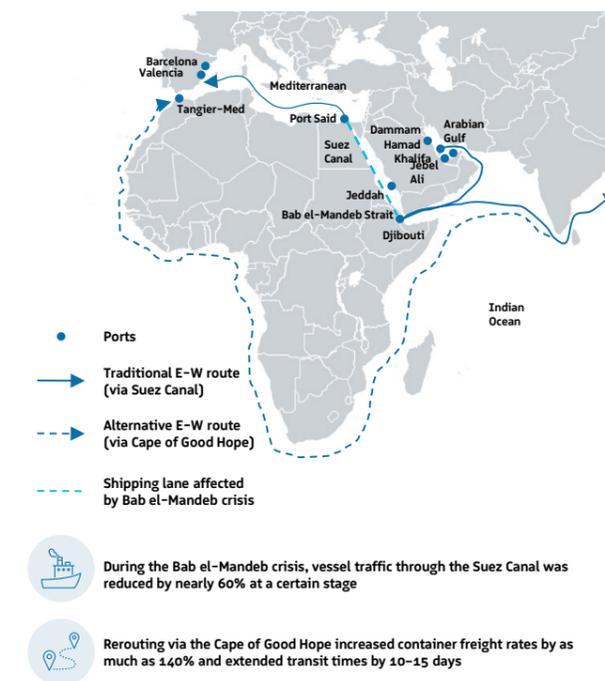
Here, trade agreements and corridor access act as strategic hedges. They lock in predictable market entry even when tariffs rise elsewhere, and they channel flows through shorter, tariff-stable regional routes. Goods entering the GCC for assembly or re-export can gain improved tariff treatment under CEPA rules of origin, effectively allowing GCC hubs to buffer partner economies' tariff exposure. For oil exporters, this also diversifies foreign-exchange inflows beyond hydrocarbons, creating fiscal resilience when energy prices fluctuate.

Figure 4: Trade restrictions and trade route diversions.

Trade restrictions (number)



Source: Global Trade Alert



The Strategic Opportunity

The GCC's renewed focus on trade diplomacy and regional coordination offers a significant strategic opportunity to strengthen its position within the global trading system. By expanding modern trade agreements, and deepening cooperation with key partners such as Africa, Asia, and Europe, the region can ensure that its economic growth remains insulated from

geopolitical shocks and tariff volatility. Enhanced coordination among GCC economies on trade standards, customs procedures, and investment policies would amplify their collective influence and reduce duplication across national agendas. In doing so, the GCC can transition from being a participant in global trade to becoming a central platform for commercial integration.

Section 2

Investment In Integrated Transport Infrastructure

Trade agreements only translate into real commerce when physical infrastructure links the origin and destination. In a world of shifting alliances and volatile shipping lanes, hard infrastructure has become the decisive factor in turning diplomatic deals into actual goods movement. Recent chokepoint disruptions have shown that when a single route fails, entire supply chains are forced to scramble for alternatives.

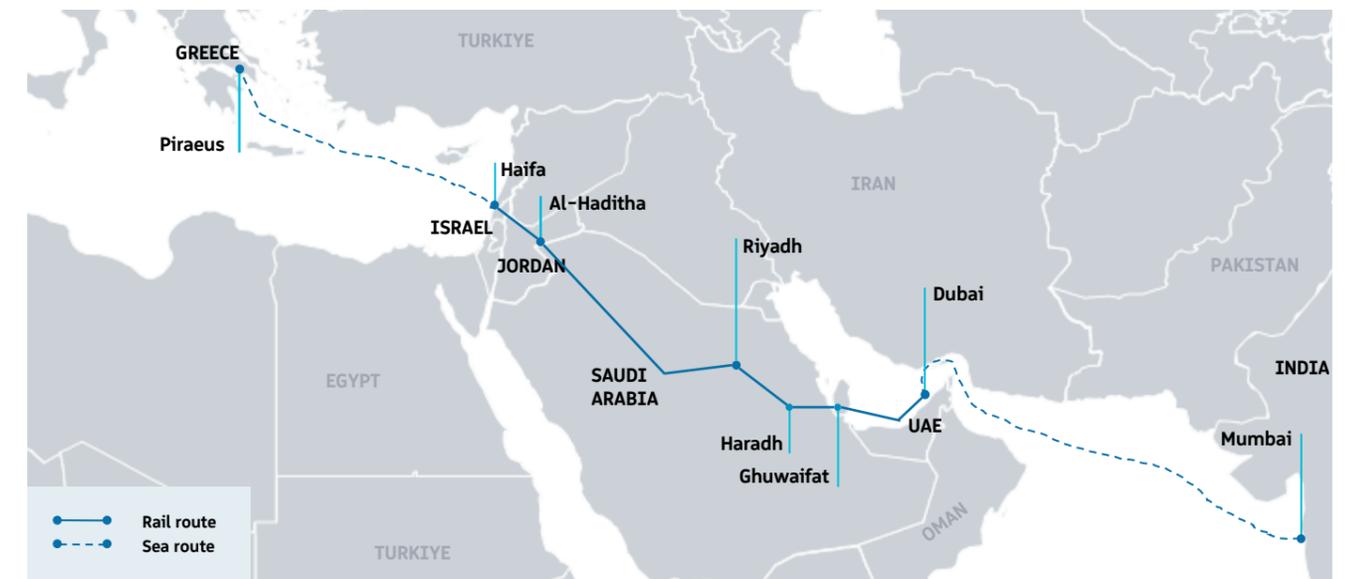
The Global Turn to Corridors

Around the globe, major economies are redrawing trade maps with large transcontinental 'corridors' that integrate ports, rail, and roads. One prominent example is the newly proposed India-Middle East-Europe Economic Corridor (IMEC). IMEC aims to connect Indian ports to European markets via the GCC, using a mix of rail and maritime routes.³²

In essence, the concept envisions a freight train crossing the Arabian Peninsula, linked by ships at both ends to reduce transit time and cost between Asia and Europe. To realize the promised savings, each corridor segment must be developed in sync and at compatible capacity.

A similar logic is playing out to the north of the Arabian Peninsula. In April 2024, Iraq, Türkiye, Qatar, and the UAE signed a preliminary agreement to cooperate on the "Development Road" project, a \$17 billion, 1,200 km combination of railway and highway linking Iraq's new Grand Faw port to the Turkish border and onward into Europe.³⁴ The goal is to create a fast land bridge that complements sea routes and reduces dependence on vulnerable chokepoints. By linking the Arabian Peninsula directly to the Mediterranean via rail and road, the corridor will give Asia-Europe cargo a viable option alongside the Suez Canal.³⁵

Figure 5: India-Middle East-Europe Economic Corridor



Source: Middle East Council on Global Affairs, March 2025³³

Figure 6: Comparative analysis of Suez Canal, IMEC, and Development Road routes by PwC Middle East, 2025³⁶

Comparative Metrics	Suez Canal	IMEC	Development Road
Route Description	Primary all-sea corridor linking Asia and Europe via a 193 km waterway	Proposed India–Europe corridor combining shorter sea legs with an integrated Middle East rail link	A planned 1,200 km Iraq–Turkey land–sea route connecting Gulf ports to Europe through high-speed road and rail
Strategic Relevance	Global trade artery handling ~12% of world trade and the dominant Asia–Europe route	A G20-backed effort to diversify India–Europe supply chains through a shorter multimodal alternative	Iraq’s bid to become a regional transit hub by creating a faster Gulf–Europe northbound land bridge
Transit Time Impacts	~25–35 days under normal conditions; Red Sea disruptions add 10–14 days due to re-routing via the Cape of Good Hope	~15–21 days, roughly 40% faster than the standard Suez all-sea route	~ 10 days, cutting transit times by more than 50% compared to the standard 24-day Suez route
Cost Implications	Normally stable, but Red Sea diversions around Africa have increased freight, fuel and insurance costs by more than 100%	Expected to be approximately 30% cheaper for India–Europe logistics compared to the Suez Canal route	Long-term costs expected to fall by replacing long sea legs with a shorter land bridge, though upfront infrastructure investment of more than ~USD 17bn
Reliability and Risk	Established and widely used, but exposed to regional instability and disruption events	Promising long-term alternative, but its reliability depends on fully delivering the required rail links and sustained coordination across participating states	High-potential Europe–Gulf connector, but near-term reliability is limited by political instability, security constraints, and major construction requirements

Sources: Britannica, Atlantic Council, Al Faw Grand Port, U.S Naval Institute, Middle East Council on Global Affairs, Atlas Institute for International Affairs, Tonlexing, International Finance Student Association, IRU, UN Trade and Development, Wilson Center.

(Figure 6) presents a comparative analysis of the current Suez Canal route and the proposed IMEC and Development Road options. However impressive the associated ambitions for the new corridors as neutral trade arteries, both carry risk. IMEC faces geopolitical instability from the Gaza conflict, lacks concrete funding mechanisms, unlike China’s Belt and Road Initiative, and excludes key regional players

such Türkiye and Iran. At the same time, the Development Road is vulnerable to endemic corruption, security threats, and a history of failed infrastructure projects in Iraq. Amid continued uncertainties, governments must be mindful of corridors’ respective limitations and retain and foster contingency options.^{37,38,39}

Narrowing the Lens: The GCC as a Hinge Between Continents

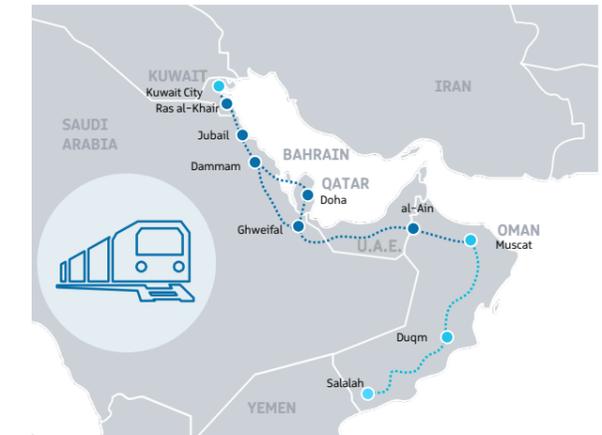
Against the backdrop of global route disruptions, the GCC’s geography is less a passive crossroads and more an active hinge linking three continents. If multi-modal corridors are becoming the new competitive instrument in trade, the Arabian Peninsula is where Asia, Africa, and Europe can physically connect. Realizing that this potential requires completing the internal networks that bind GCC economies and extending them outward into the near-neighbor corridors.

On the inside, the centerpiece is the long-planned GCC Railway (see figure 7).

Regional authorities have set December 2030 as the deadline to complete a network of over 2,000 km linking all six member states.⁴⁰ As of mid-2025, the GCC Railway project is reported to be on schedule for its completion target with national segments now in advanced planning or procurement phases.⁴¹ However, some considerable interoperability, funding, and coordination challenges persist across the member states, which continue to need attention.⁴²

To foster progress, authorities across the UAE, Saudi Arabia, Oman, Qatar, Bahrain, and Kuwait are aligning their national rail projects to deliver the unified GCC spine. Even partial cross-border connections are already reshaping trade routes and freight costs, setting the stage for a fully integrated system that could redefine the movement of goods across the peninsula.

Figure 7: Planned Pan-Gulf Rail Network.

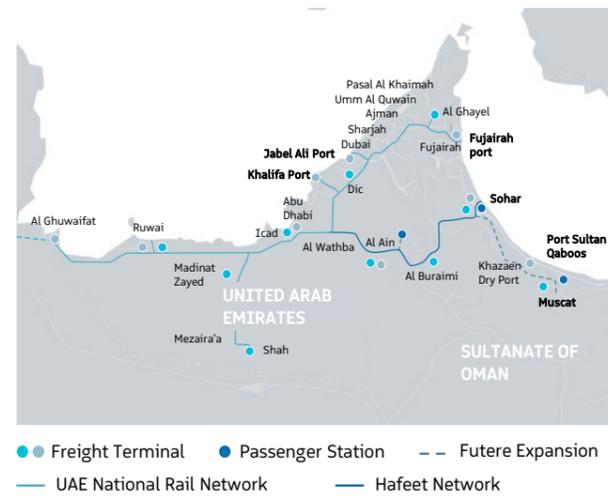


Key - - - - - OCC Railway Lines
 - - - - - Muscat Railway Lines

Source: Gulf News, September 2025⁴³

One piece of that spine is already well underway. The Abu Dhabi–Sohar railway link, known as the Hafeet Rail project, is a 238km cross-border line that will connect the UAE’s rail network directly to Oman’s Sohar Port (Figure 8). Launched in 2024 as a joint venture between Etihad Rail and Oman Rail, the line is over 50% constructed and on track for phased operations by early 2026.⁴⁴ Once completed, heavy cargo that currently travels by truck between Oman and the UAE can shift to rail, lowering per-ton transport costs and improving reliability through a scheduled train service.

Figure 8: The Hafeet Rail project.



Source: Gulf News, September 2025⁴³

While rail projects take time, roads have provided an immediate boost to overland connectivity. A case in point is the Saudi–Oman highway through the Empty Quarter. This 725km route offers a direct inland drive between the two countries.⁴⁶ By carving a straight path where none existed, the highway slashed overland travel time and distance, avoiding the long detour through the UAE. For logistics operators, if congestion or delays hit the usual coastal route, this inland highway provides a ready alternative to keep trucks moving. The simplicity of a well-built road link can prove decisive when ports are backed up or maritime traffic is forced to shift course.

Another missing link is the Bahrain–Qatar Causeway. After years of delay, Bahrain and Qatar agreed in 2023 to revive the project and instructed their teams to finalize implementation plans. If built, the approximately 40-km bridge-and-causeway will cut travel time between

the two states from about five hours (ferry and overland driving) to just 30 minutes.⁴⁷ For the movement of goods, this an additionally reliable route for trucks, and potentially a future path for rail, thereby strengthening the continuity of the GCC’s logistics network.

No trade corridor can function without high-capacity terminals at each end. GCC countries have spent the past decade expanding ports to anchor future trade corridors. Jebel Ali remains the region’s busiest hub, handling around 15.5 million TEUs (twenty-foot equivalent units, a standard unit of cargo capacity) in 2024,⁴⁸ while Abu Dhabi’s Khalifa Port has grown rapidly and targets 15 million TEUs by 2030.⁴⁹ Qatar’s Hamad Port, with a future capacity set for 7.5 million TEUs,⁵⁰ now rivals its neighbors as a regional gateway. Similar upgrades in Saudi Arabia’s Dammam and Oman’s Sohar are adding scale and specialization. With new rail links and highways feeding into them, these ports can funnel goods from sea to land (and vice versa) on a scale that makes alternate routing viable for global trade players.

Outward Investments: Extending the Region’s Reach

The infrastructure story does not stop at the region’s own borders. Increasingly, Middle Eastern countries and companies are investing in trade corridors beyond the region, effectively extending the region’s logistical reach. A prime example came in early 2025, when Kenya confirmed it had opened talks with the UAE to finance the remaining 468 km of its standard gauge

railway toward Uganda and South Sudan.⁵¹ For the Middle East, helping finance and build this extension secures a stake in a major African trade route. It means regional economies could benefit from, and even prioritize, cargo flows originating thousands of kilometers away, essentially pulling those flows toward regional ports and partners.

A similar outward-looking logic underpins regional participation in Iraq’s Development Road. By investing diplomatically and financially in a land bridge from the GCC to the Mediterranean, Middle Eastern economies are shaping an additional Asia–Europe transit route that they will directly influence. By being part of the consortium, regional states ensure that their interests, and their own ports, are central to the operation of this route. It’s a form of route diversification through co-development.

Why This Matters for Cost and Reliability

The logic behind the region’s infrastructure drive is straightforward. Moving freight from trucks to rail lowers costs and improves delivery reliability. New highways and cross-border links shorten routes, reduce trucking rates, and cut insurance costs. Each improvement makes supply chains faster, cheaper, and more predictable.

Equally important is the resilience these connections create. When sea routes are blocked or unsafe, logistics operators with land alternatives can adjust immediately. The region’s growing network of railways and roads is designed to provide this flexibility. Access to a range of corridors protects trade from disruption and encourages competition, helping lower transport costs.

This resilience is further strengthened by the region’s major investments in air-cargo capacity, with airports in Dubai, Abu Dhabi, Doha, and Riyadh expanding dedicated freight terminals, cold-chain facilities, and integrated multimodal links. These upgrades ensure that high-value and time-sensitive goods can be rapidly rerouted by air during maritime or land-transport disruptions, creating an additional layer of continuity for regional and global supply chains.

For policymakers, the priorities are clear. They need to complete the GCC Railway, close highway gaps, and link ports through efficient last-mile connections and logistics zones. Targeted investment in nearby markets such as East Africa and Iraq will extend the region’s reach. By following through on these existing commitments, the region can secure its role as a reliable, cost-efficient bridge between Asia, Africa, and Europe and strengthen its position at the center of global trade.

Section 3

Seamless Logistics Networks And Digital Trade



In addition to comprehensive agreements and world-class physical infrastructure, enabling digital trade is a critical factor for enhancing.

Across the GCC, governments are investing in smart logistics platforms, national single-window systems, and interoperable trade data frameworks to streamline cross-border processes, reduce transaction costs, and strengthen policy intelligence through data-driven insights. Collectively, these initiatives are positioning GCC countries to become a digital trade powerhouse, where advanced logistics infrastructure, integrated digital ecosystems, and progressive regulatory innovation converge to deliver frictionless, efficient, and sustainable commerce.

Laying the Foundations of Integrated Trade Networks

Over the past decade, GCC countries have made foundational investments in digital customs infrastructure, trade facilitation systems, and regulatory harmonization that now serve as the platform for future, more advanced logistics technologies. Early initiatives included the establishment of the GCC Customs Union (launched in 2003) with a common external tariff, harmonized customs regulations, and 'single point of entry' so that goods entering one member state can transit through others without repeated inspections. Alongside this, GCC member states gradually built national systems for electronic customs declarations, risk management, and the digitization of trade documents.

More recently, the region has moved to unify and modernize its classification systems: the GCC Customs Union Authority issued the first edition of the GCC Integrated Customs Tariff, a 12-digit harmonized system-based classification to be adopted by all six GCC states.⁵² The customs authorities in Kuwait, Oman, Saudi Arabia, the UAE, and Qatar have implemented this change, since January 2025.⁵³

Simultaneously, the Transport International Routier (TIR) carnet process, widely used globally, has gained traction in the GCC, with member states adopting it to streamline overland trade. In recent years, transport operators report that the system has shortened cross-border transit times by 60-75%, eliminated the need for multiple customs guarantees, and enhanced cargo security by maintaining seals throughout transit.

Indeed, logistics companies note that TIR adoption in the GCC has grown nearly tenfold over the past few years, reflecting its rising importance in regional trade corridors.⁵⁴ For instance, Qatar integrated its customs system with the Digital TIR Carnet in May 2025,⁵⁵ the UAE's Ras Al Khaimah-based customs launched its first TIR transit shipment to Poland in 2025,⁵⁶ and Saudi Arabia ratified the TIR Convention in 2018 as part of regional trade facilitation efforts.⁵⁷

Next-Generation Technology Driving the Region Forward

These integrated customs and transit systems lay the critical groundwork for future investments in artificial intelligence (AI), blockchain trade platforms, smart ports, and digital twin logistics networks. Having a unified tariff classification a reliable transit system simplifies data interoperability, reduces friction, and builds confidence among shippers and technology providers. As GCC states deploy next-generation logistics technology, these legacy systems – now upgraded and harmonized – will amplify the speed, transparency, and sustainability gains of the region's digital trade corridors.

In recent years, GCC nations have moved decisively from pilot trials to the deployment of advanced digital technologies in logistics, trade, and infrastructure, laying the foundation for a next-generation of capabilities. Among the areas that see concrete investment today are AI and predictive analytics, blockchain-based supply chain verification, digital twins for logistics assets, automation and robotics in ports and warehouses, and advanced cloud and data center infrastructure.

In the UAE and Saudi Arabia, AI has been elevated to a national priority. Governments have invested heavily in data centers, research institutes, training, and strategic partnerships with global tech firms.⁵⁸ In Saudi Arabia and the UAE, AI is increasingly used to optimize fleet routing, port operations, demand forecasting, and predictive maintenance in logistics hubs.

The strength of national AI visions, combined with already robust digital infrastructure, gives GCC states an advantage in deploying AI across logistics networks.



Blockchain and distributed ledger technologies are already

being integrated into the port and supply chain systems within the region. The UAE has adopted blockchain in port logistics to improve transparency, reduce fraud, and accelerate cargo processing.⁵⁹ Jebel Ali and other major ports are deploying blockchain-led verification of cargo status, customs clearance and chain-of-custody systems. By embedding immutable records, smart contracts, and digital trust, these systems help reduce friction and documentation overhead in cross-border trade. As blockchain infrastructure matures, the GCC can extend these capabilities to corridors, multimodal transit, and trade finance networks. In 2025, global trade facilitation increasingly adopted blockchain technology, with the World Customs Organization and the United Nations Economic and Social Commission for Western Asia piloting blockchain-enabled customs and trade documentation systems,^{60,61} while the World Economic Forum supported a cross-border data-sharing platform to streamline supply-chain processes.⁶² Market research also highlights rapid growth in blockchain for supply-chain finance, projected to expand from US\$1.8 billion in 2024 to US\$34.6 billion by 2034,⁶³ reflecting its growing role in digitizing and securing international trade.



Another technology that is gaining traction is **digital twins** of logistics

assets – ports, terminal operations, fleets, and industrial zones. A digital twin is a virtual model of a physical object, process, or system, updated with real-time data to accurately mirror its real-world counterpart's behavior and performance. Digital twins are used to monitor, simulate, analyze, and optimize operations, predict potential issues, and inform decision-making throughout the asset's lifecycle. Unlike static simulations, they enable a dynamic, two-way data flow between the physical and digital worlds.

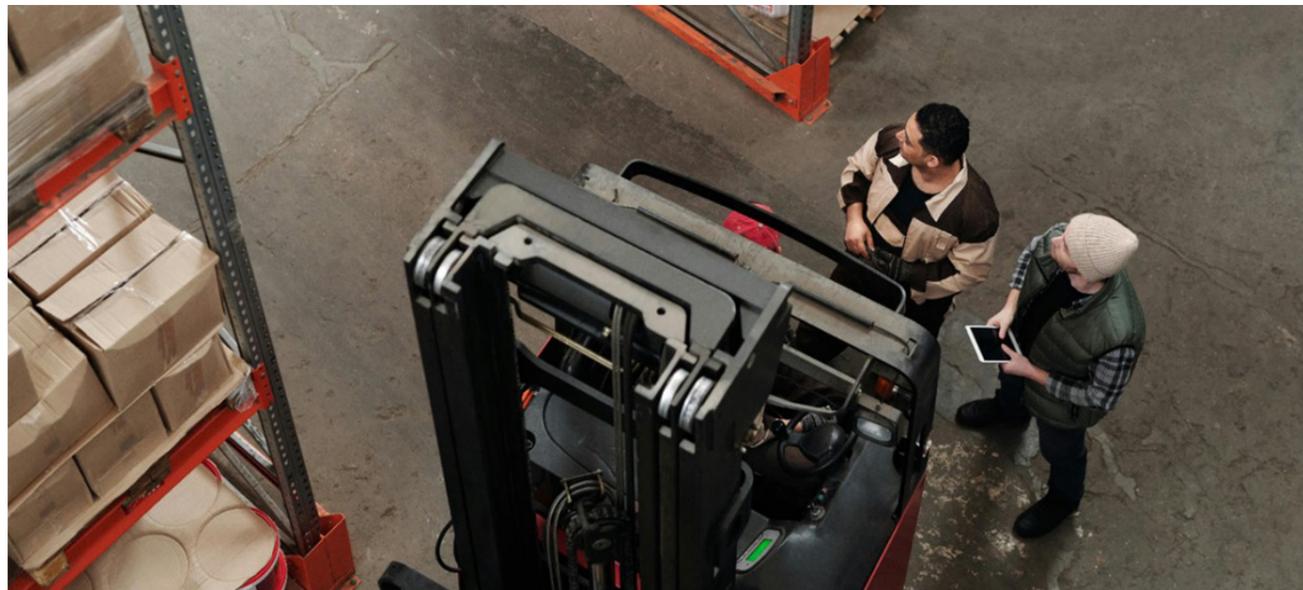
Saudi Arabia has actively promoted digital twin frameworks for logistics planning, simulation, and predictive operations. When paired with generative or foundation AI models, digital twins can evolve toward

'cognitive twins' that autonomously simulate, forecast, and adapt across multimodal supply chains.⁶⁴ The result is a more resilient, real-time, and carbon-efficient logistics network.



Automation, robotics, and autonomous vehicles

are also breaking ground. Warehouses in free zones are increasingly deploying robotic sorting, automated guided vehicles, and robotic arms for cargo handling.⁶⁵ In the UAE, pilot driverless delivery vehicles have begun operating (for example, in Masdar City), combining urban logistics with emerging mobility systems. As ambient drone logistics, last-mile automation, and port robotics mature, GCC states are well placed to adopt them, especially in controlled zones and smart cities.

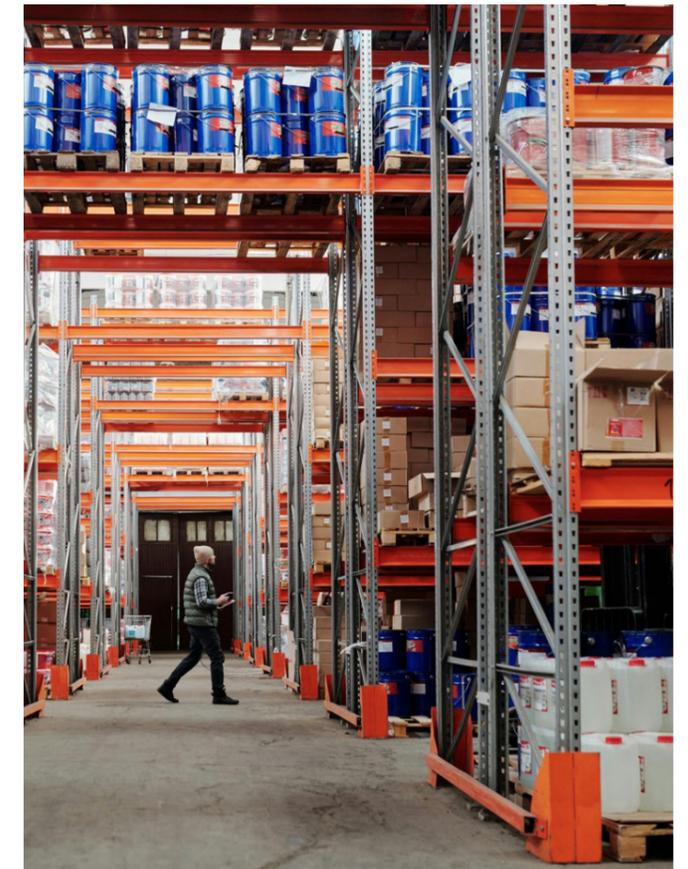


Competitive Advantage for the Region

Building on these developments, the next wave of technological integration further reinforces the region's position as a central hub in global trade. AI, blockchain and automation act in concert to minimize inefficiencies, enhance predictive capabilities, and reduce the overall cost of trade facilitation. Smart contracts and AI-enabled decision systems automate customs and compliance functions, streamlining administrative processes and limiting manual intervention. This shift accelerates clearance times, lowers operational costs and strengthens the competitiveness of GCC trade corridors as efficient and trusted conduits for global commerce. As digital ecosystems mature, the region's logistics infrastructure transitions from reactive to predictive, anticipating disruptions, dynamically rerouting shipments, and sustaining trade continuity even amid global uncertainty.

Moreover, the region's strategic investments in transparency technologies such as blockchain will catalyze trust-based trade. By embedding traceability and immutability into the supply chain, blockchain systems will reduce fraud, eliminate duplicate documentation, and enhance the confidence of both public and private stakeholders. The ability to verify cargo origin, certification and movement in real time will be especially critical for high-value or sensitive goods such as pharmaceuticals, food and electronics. As these technologies become interoperable across national platforms, they will create a seamless, borderless trade environment that sets a new benchmark for openness and reliability.

Ultimately, the digital transformation of trade in the GCC will not only redefine operational efficiency but also strengthen the region's resilience amid global supply chain volatility. Through the fusion of data-driven governance, real-time visibility, and intelligent automation, the region will emerge as the epicenter of digitally-enabled trade. The result will be a smarter, leaner, and more adaptive trade ecosystem, one that underpins the GCC's vision of economic diversification, sustainable growth, and global leadership in next-generation logistics and commerce.



Section 4

Differentiation Via Sustainable And Green Transport



Section 4

The GCC region is uniquely positioned to evolve beyond its role as a resilient trade route and emerge as a green logistics fulcrum connecting Asia, Africa, and Europe. Crucially, the global shift toward sustainable transport is no longer a 'nice to have' or an environmental gesture. It is rapidly becoming a core determinant of cost efficiency and market access. New regulatory frameworks such as the European Union's (EU) Carbon Border Adjustment Mechanism (CBAM), the International Maritime Organization's 2023 emissions rules, and emerging sustainable aviation fuel mandates are fundamentally reshaping the economics of logistics. At the same time, global manufacturers and retailers are required to report full supply-chain emissions under tightening Scope 3 disclosure standards. While some countries have recently signaled temporary pauses or recalibrations in their climate agendas, the long-term trajectory is unmistakable: sustainability standards are tightening globally, and regions that cannot demonstrate low-carbon, verifiable logistics will face structural disadvantages in market access, certification, and investment flows.

For the GCC, adopting cleaner transport systems is therefore a commercial and strategic imperative: it lowers lifecycle operating costs, reduces exposure to volatile fuel markets, and safeguards access to key export destinations that are tightening sustainability requirements. Building upon its longstanding position as one of the world's primary suppliers of traditional hydrocarbons, the region possesses the resources, infrastructure, and

capital required to lead the global transition toward clean and sustainable energy. By leveraging this strategic advantage and embedding sustainability into its logistics and energy systems, the GCC can reinforce its pivotal role in global value chains. This transformation will not only enhance regional competitiveness and economic diversification but will also establish the GCC as a trusted partner and facilitator of the world's next generation of low-carbon, resilient, and future-ready trade networks. The transition is already well underway, reflected in the significant investments being made across Saudi Arabia, the UAE, and Qatar.

GCC's Clean Fuel Leadership

In Saudi Arabia, the government's Vision 2030 and Saudi Green Initiative have set an ambitious target of achieving net-zero greenhouse gas emissions by 2060.⁶⁶ Central to this goal is the NEOM Green Hydrogen Project, a US\$8.4 billion investment designed to integrate around 4GW of solar and wind power to produce up to 600 tons per day of carbon-free hydrogen by 2026.⁶⁷ The hydrogen will be converted into approximately 1.2 million tons of green ammonia annually for export, making NEOM one of the largest projects of its kind in the world.⁶⁸ As of mid-2025, construction of the project is reported to be around 80% complete across its main components (hydrogen plant, wind garden, solar farm, and transmission grid), and on schedule for operations in 2026. The first green ammonia exports are projected for 2027.⁶⁹

Alongside NEOM, Saudi Arabia is developing a hydrogen-ammonia hub in Yanbu, supported by carbon-capture infrastructure and significant foreign partnerships.⁷⁰

In the UAE, similar ambition drives the national clean energy strategy. A one-million-ton-per-annum low-carbon ammonia plant in Al Ruwais Industrial Zone is under construction, with operations scheduled to begin in 2027.⁷¹ The UAE's flagship renewable energy company, Masdar, has grown into a global leader in clean energy, managing more than 50GW of renewable capacity across solar, wind, and storage projects.⁷² Masdar continues to expand internationally through investments and acquisitions in Europe, the US, and Central Asia, and has raised US\$2.75 billion since 2023 through its green bond program, while new projects such as a 1GW continuous-power renewable energy facility in Abu Dhabi aim to overcome energy supply gaps and strengthen energy security.^{73,74}

Qatar, long recognized as the world's leading exporter of liquefied natural gas (LNG), is leveraging that strength to expand into low-carbon fuels. Its flagship blue ammonia facility in Mesaieed Industrial City will have a capacity of 1.2 million tons per year, with an integrated system to capture and store 1.5 million tons of carbon dioxide annually.⁷⁵ The plant is scheduled to be operational by mid-2026.⁷⁶

These large-scale initiatives reflect a coordinated regional effort to align energy systems with global decarbonization trends.

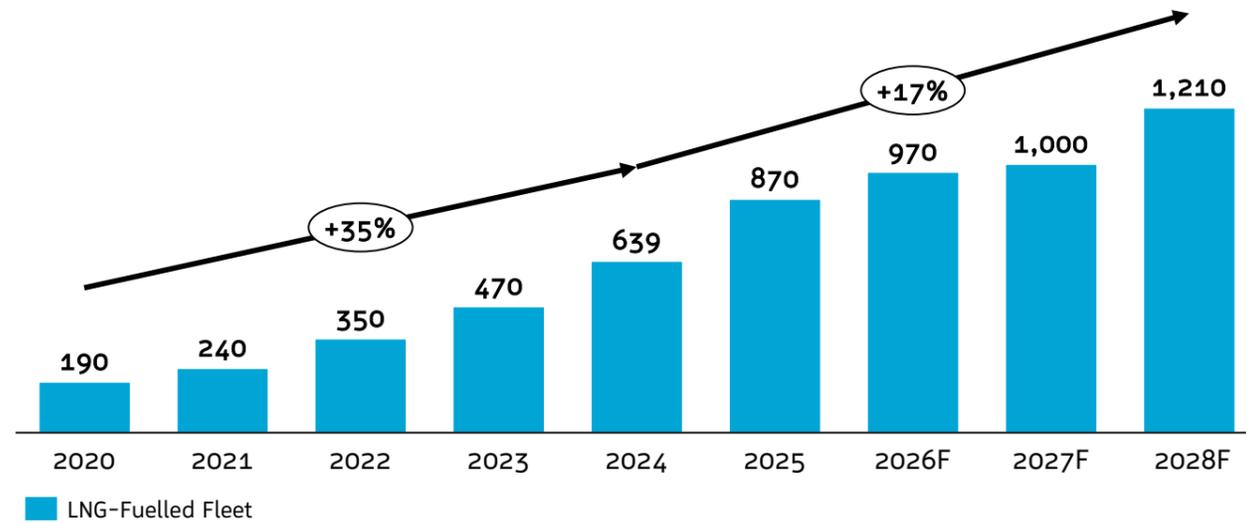
Together, these projects underscore a shared recognition that future competitiveness depends on leadership in clean energy rather than dependence on fossil fuels.

Evolving Fuel Consumption

From a maritime perspective, the global shift toward alternative fuels represents one of the most significant transitions in modern shipping. As of mid-2024, only 7.4% of the global vessel fleet operated on alternative fuels, underscoring both the scale of the challenge and the opportunity ahead.⁷⁷ Yet, the composition of new vessel orders points to a structural transformation already underway: nearly half of all ships currently on order are designed with dual-fuel capability, primarily using LNG as a bridging solution.⁷⁸ This trend indicates growing recognition among shipowners and operators that fuel flexibility and decarbonization readiness are now essential for long-term competitiveness. Forecasts suggest that by 2030, over one-fifth of the global fleet will be capable of running on alternative fuels, with the number of such vessels expected to nearly double by 2028.⁷⁹

For the GCC, this evolution presents both a strategic challenge and an opportunity. As global shipping routes converge through GCC ports, the region's ability to provide low-carbon bunkering services – such as LNG, ammonia, or methanol – can define its future relevance in maritime trade. Investments in green port infrastructure, fuel storage, and digital bunkering

Figure 9: Increase in LNG-fueled vessel orders



Source: DNV Alternative Fuels Insight⁸⁰

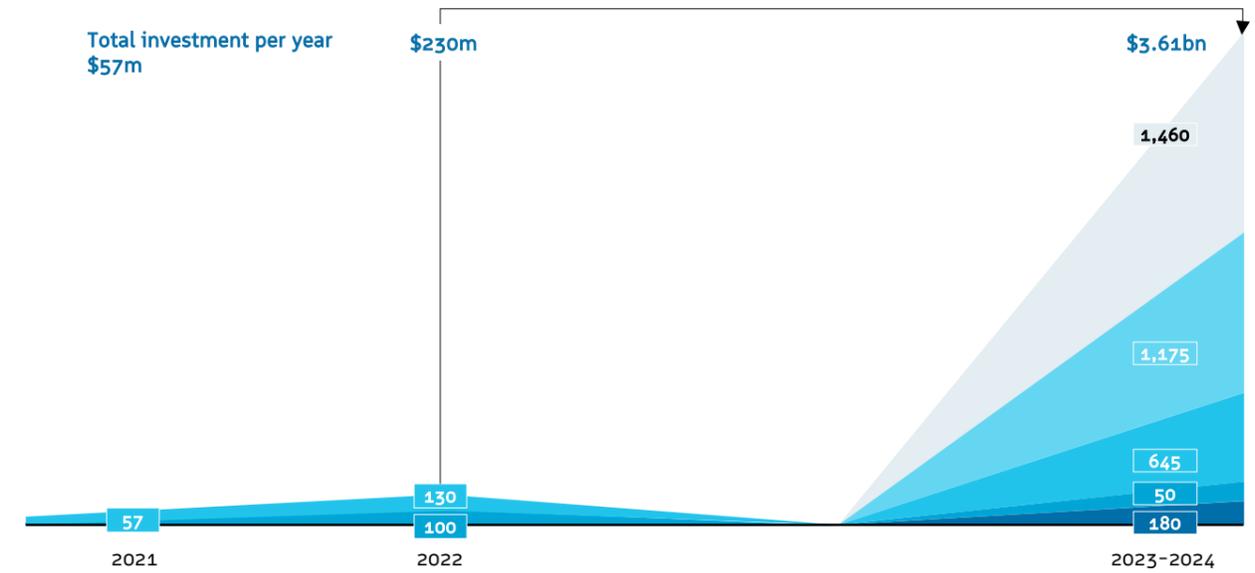
systems enable GCC ports to serve as critical nodes in the emerging alternative fuel network. By leveraging its energy sector expertise, financial resources, and geographic centrality, the GCC can accelerate the global maritime transition while consolidating its position as a logistics and energy hub. Such an approach also strengthens the region’s alignment with the International Maritime Organization’s decarbonization targets and broader global sustainability frameworks.

The aviation sector mirrors this momentum, albeit from a lower base. Sustainable aviation fuel (SAF), produced from non-petroleum feedstocks such as waste oils, biomass, and synthetic fuels, accounts for less than 1% of total aviation fuel consumption today.⁸¹ However, the pace of adoption is quickening, with over 360,000 commercial flights already using SAF across 46 airports worldwide.⁸² With the investment in SAF projects rising

(see Figure 10), major airlines have begun entering long-term offtake agreements, signaling growing confidence in the viability of SAF as a transitional solution toward net-zero aviation. The GCC’s major carriers and airports are well-positioned to lead in this space, given their role as global aviation hubs connecting East and West, and their proximity to abundant renewable resources that can support large-scale SAF production.

Major GCC airlines are now actively investing in SAF. Emirates committed to buy over three million gallons of blended SAF for 2024–2025,⁸³ Etihad Airways is developing SAF from municipal and industrial waste to meet 20% of its jet fuel needs by 2026,⁸⁴ Qatar Airways has pledged to use at least 10% SAF across its fuel consumption by 2030,⁸⁵ and Saudia and other regional carriers at Red Sea International Airport now have access to a 35% SAF blend.⁸⁶

Figure 10: Recent investments in SAF companies and projects, 2021–2024



Source: World Economic Forum, March 2025⁸⁷

The central constraint lies in the scalability and affordability of cleaner fuels. Establishing regional SAF refineries, developing hydrogen-based synthetic fuel capabilities, and building comprehensive refueling infrastructure remain pressing priorities. Here, the GCC’s capital strength, industrial base, and integrated logistics networks can play a transformative role. Public-private partnerships can be structured to accelerate investment in next-generation fuel facilities, while harmonized regional regulations could provide certainty to investors and operators alike. Integrating digital monitoring systems and emissions-tracking technologies will further enhance transparency and traceability across aviation and maritime supply chains.

Green and Secure Trade Lanes

The region’s energy investments have implications that extend far beyond the energy sector. By coupling clean fuel production with logistics and transport systems, the GCC can establish itself as the world’s primary hub for green supply chains. Green hydrogen and ammonia produced in NEOM, Al Ruwais, and MESAIEED can power decarbonized shipping and aviation, while port developments across Jeddah, Khalifa, and Hamad can serve as refueling and distribution centers for green fuels. These initiatives could transform the region’s ports and industrial corridors into ‘green and secure’ trade lanes, offering lower-carbon transit options with verifiable emissions data, an increasingly valuable advantage in a world of tightening environmental standards.

Section 5

What The Next Decade of Trade Looks Like



The next decade of global trade will be defined by how effectively governments and industries convert today's disruption into tomorrow's resilience. The global trading system is unlikely to revert to the frictionless, hyper-efficient model that characterized the early 2000s. Instead, it will evolve into a more regionalized, technology-driven, and sustainability-conscious system where trust, transparency, and adaptability become the new currencies of competitiveness.

Corridor Perspective

Trade corridors in Asia, Africa, and the Middle East are set to outpace the global growth rate by close to four percentage points, driving export volumes in these regions from US\$9 trillion in 2021 to US\$14.4 trillion by 2030.⁸⁸ For the Middle East, this intensifying shift presents a generational opportunity to anchor itself as a strategic hinge among continents, connecting resilient production systems and serving as a global logistics stabilizer.

Physical Infrastructure Driving Resilience and Connectivity

Governments that proactively invest in connectivity – physical, digital, and energy-related – will shape new commercial geographies. The winners will not be those with the cheapest labor or the lowest tariffs, but those that guarantee continuity, transparency, and sustainability in the movement of goods, data, and energy

The Digital-Green Convergence

By 2035, digitalization and decarbonization will no longer be parallel agendas; they will be integrated. Smart ports, AI-enabled customs systems, and blockchain-secured trade platforms will underpin zero-carbon logistics corridors. Governments that integrate digital infrastructure with green fuel ecosystems, from hydrogen production to alternative bunkering and SAF refineries, will attract global investment and trade flows. The Middle East's clean energy and digital trade strategies provide a glimpse of this future, where carbon accountability and data interoperability define access to markets.



Strategic Imperatives for Governments

To prepare for this transformed trade landscape, governments should focus on four strategic imperatives:



Institutionalize resilience as a trade metric

Governments must treat supply chain resilience as a measurable policy outcome, not an incidental benefit. This means embedding resilience targets into trade agreements, infrastructure investments and industrial strategies. National logistics frameworks should include redundancy metrics – such as multimodal access, data continuity, and diversified sourcing – to quantify preparedness for shocks.



Invest in digital trust infrastructure

The next generation of trade facilitation will rely on verifiable, interoperable data. Governments should mandate the adoption of blockchain-based certification, AI-driven risk assessment, and interoperable digital identity systems for goods and logistics providers. Shared regional data standards, creating for digital trade the equivalent of the EU's Schengen Zone, which has abolished internal border controls between countries, will significantly reduce friction across borders.



Strengthen regional coordination and trade governance

Fragmentation within trade blocs weakens collective influence. GCC and Middle Eastern governments should accelerate the harmonization of customs systems, environmental standards, and digital regulations. A coordinated Green Trade Compact among regional economies could position the Middle East as the world's first integrated, low-carbon trade zone by 2035.



Align green trade incentives with the energy transition

Incentivizing low-carbon shipping and logistics will be central to maintaining market access under emerging CBAMs. Governments should create regional green corridors, expand carbon-pricing frameworks, and integrate green-fuel infrastructure into ports and industrial zones. Public financing should prioritize projects that reduce both emissions and exposure to energy volatility, continuity, and diversified sourcing – to quantify preparedness for shocks.

Strategic Imperatives for Businesses

In parallel, businesses will need to adapt to a trading environment where competitiveness depends less on location and more on how effectively risks, data, and emissions are managed across borders. For companies operating in or through the Middle East, this evolution presents an opportunity to help shape the region's role as a reliable, connected, and sustainable core of global trade. To seize this opportunity, businesses should focus on five strategic priorities:

1 Rethink supply chains around resilience, not just cost

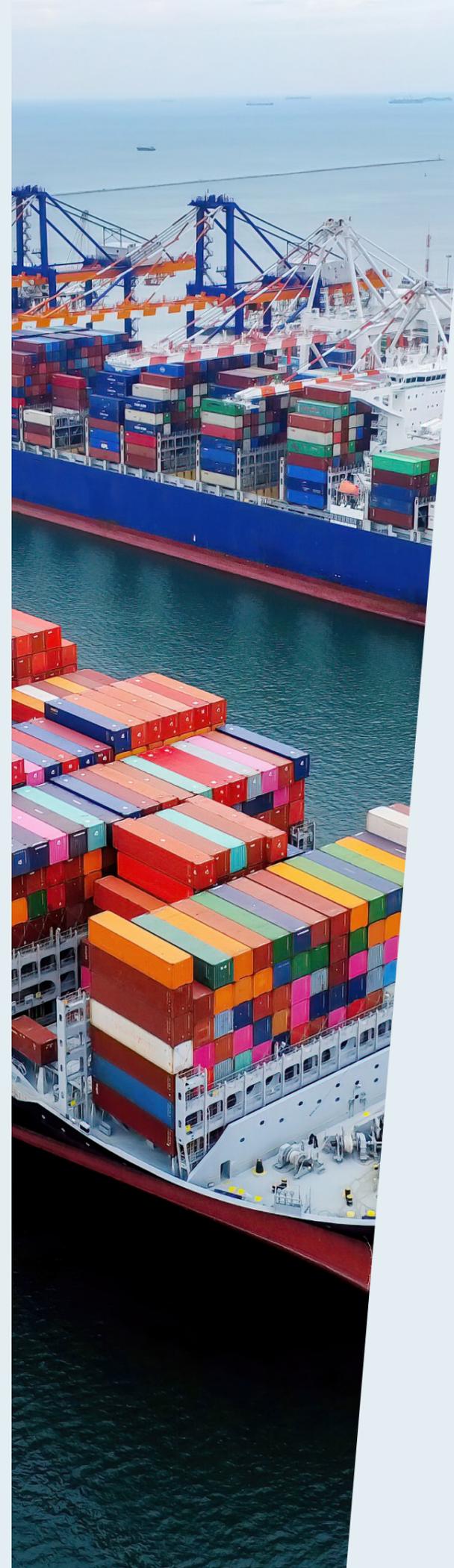
Businesses should move beyond cost-based optimization toward building network resilience. This involves diversifying suppliers, adopting near- and friend-shoring strategies, and using predictive analytics to anticipate disruptions. Embedding resilience into procurement and logistics decisions will help companies maintain continuity and competitiveness in volatile global markets.

- For GCC-based businesses, lifecycle costing can play a central role, but it must be applied with greater speed and agility. While governments can plan across five-year horizons, businesses and organizations need quarterly responsiveness while still maintaining strategic total-cost-of-ownership (TCO) discipline. This can be achieved by taking a lifecycle approach to cost assessment, supported by real-time cost intelligence and digital tools. By integrating TCO analysis into rapid decision cycles and building supply networks that can withstand disruption, businesses can balance short-term agility with long-term value and resilience

2 Localize production and deepen regional value chains

As GCC economies expand their industrial and export capacity, companies should align by localizing manufacturing and processing activities within the region. Firms can use the GCC as a high-efficiency re-export and consolidation hub, where selective regional value-add activities—such as light processing, kitting, assembly, packaging, or certification—enhance product competitiveness and support compliance with rules of origin in key trade agreements. Doing so will shorten delivery times, improve compliance with rules of origin in regional trade agreements, and strengthen participation in intra-GCC and Middle East-Africa value chains.

- Localization should, however, be strategically selective, guided by the traditional principle of comparative advantage, prioritizing activities where the region holds, or can realistically develop, competitive advantages such as energy-intensive industries, logistics hubs, and knowledge services. At the same time, continuing to use global sourcing where other regions maintain superior efficiency will remain essential. This helps ensure that TCO is optimized through a hybrid model that balances resilience with economic efficiency while supporting the region's broader industrial ambitions.



3 Embed digital trade readiness

Digital systems are becoming the backbone of modern trade. Companies should ensure they can exchange information quickly and securely through recognized digital platforms. Investing in reliable data systems, electronic trade documentation, and automation will make cross-border operations faster, more transparent, and less costly. Early adoption of digital tools will help firms integrate easily into new regional trade systems and stay competitive in a rapidly evolving market.

4 Integrate sustainability into trade strategy

Carbon transparency is becoming a defining feature of modern trade. Companies should map emissions across logistics and supply chains, align reporting with global disclosure standards, and adopt low-emission transport and packaging solutions. Businesses that can demonstrate verifiable low-carbon operations will gain preferential access in markets adopting carbon border adjustment mechanisms.

5 Forge public-private partnerships for connectivity

The next phase of regional connectivity will depend on strong collaboration between the public and private sectors. Businesses should partner with governments to co-develop logistics hubs, special economic zones, and energy-transition projects. They can also play a key role in shaping digital trust infrastructure, trade facilitation platforms, and data-sharing standards. Proactive participation in these partnerships will ensure that business priorities are embedded in regional trade policies and infrastructure planning.

Looking Ahead

If the last three decades were defined by efficiency and scale, the next decade will be defined by resilience and credibility. Governments that reimagine trade not as a transactional flow but as a system of trust and continuity will lead the global economy. For the Middle East, the path forward is clear: invest in smart trade corridors, resilient infrastructure, digital transparency, and clean logistics, transforming the region's role from a crossroads of commerce to the anchor of a more stable, sustainable global trading system.

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