



Economic transformation in West Asia: Diversification strategies and climate-driven development imperative

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Abstract

The historical process of the economic development of West Asia has been complicated because of both the ancient trade civilizations, the rise of the hydrocarbon as well as new policy of the diversification. Being one of the historical geographic locations connecting Asia, Africa and Europe, the economic cycle of the region radically changed with the process of oil discovery that triggered the rapid modernization and nation-building. However, the hydrocarbon sector remains the core of it, however, during the last decades, the states of the Gulf Cooperation Council (GCC) tried to diversify their economy in terms of tourism, finance, logistics, technology and renewable energy. However, the state of development in the whole region is uneven due to political unrest, war, and bureaucratic constraints of such nations as Syria, Yemen, and Iraq. The economic planning and sustainability are still under the influence of the pressing problems of the climate stress, unemployment of the youth, demographic pressures, and geopolitical tensions. The invention of vision based national plans, human capital investment, and the green transitions are indicators of how the region is keen to remodel the economic face and reduce its resource dependencies. Generally, West Asia is a cross-road and the financial feasibility of the area will be decided through political governance reforms, regional integration, technological development, and sustainable growth oriented towards the global change.

Keywords: West Asia, economic development, diversification, GCC, hydrocarbons, climate change, conflict affected economies, Vision strategies, regional integration, sustainability

Introduction

West Asia as it is commonly known as Middle East has been enjoying strategic geographical and economic location that has translated into historical shaping of trend in politics and economics in the whole world. It is sufficient in natural resources, especially the hydrocarbon deposit and it has been the backbone of its economy several decades ago. Oil wealth is also the driving force behind the active evolution of the rapid modernization of various countries in the West Asian region since the second half of the 20th century, and a qualitative improvement in infrastructural development, living standards, and income per person among the population (Hertog, 2020) [1]. The economic system of the West Asia today however indicates the emerging realities concerning the diversification policies, structural changes, social-economic dissimilarity, and geo-political complexities. The cause of concern in West Asia is that the region is on the brink of having to reconsider the long-term growth trends as the world energy dependence is turned to renewable energy sources and implementation of technological innovation becomes the key of economic success.

The previous years saw the states of West Asia, and, above all, the members of the Gulf Cooperation Council (GCC), Saudi Arabia, United Arab Emirates (UAE), and Qatar, declare in their ambitious national visions that they are planning to diversify non-oil sectors, consolidate the development of the field of the personal sector, and develop the field of human capital (International Monetary Fund [IMF], 2022) [3, 12, 24, 30, 37, 38]. Everything that is occurring such as Saudi Vision 2030 and UAE Centennial 2071 can be considered as a red flag of a knowledge-based economy, innovations-driven growth, and sustainable finance paradigm. The strategies revolve around future tourism,

logistics, renewable energy, and digital technology, manufacturing, and financial services as a spur to the future development (Oxford Economics, 2023) [4, 25, 31]. It is due to this that the West Asia has been emerging as an acknowledged not only an energy hub, but also a global investment, trade as well as a technological hub.

Despite these developments, these institutions have inequalities and do not survive the changes in the economy within the region. The economies that have had stable political regimes, wherein the state and strategic investment systems ability have been high have achieved a lot in economic diversification as well as the modernisation of the infrastructures (World Bank, 2023) [6, 21, 28, 35, 42, 57, 70]. Rather, countries that continue to be a focus of war and political conflicts, such as Yemen, Syria, and segments of Iraq, still have to reclaim the abject economic impact, humanitarian warfare, and underproductive potential (United Nations Economic and Social Commission for Western Asia [UNESCWA], 2022) [5, 27, 34, 40, 55, 56, 66, 67, 68]. Such sharp contrasts refer to the model of the economic development of the region and indicates how the political stability, the quality of the institution, and security is the key to economic transformation in the long-term.

In addition to this, the demographic trends are threats and strengths of the West Asian economies. The region residents are rather young, and the number of people involved in the labour forces is higher, which means that the region has a massive potential of innovations, productivity, and economic growth (International Labour Organization [ILO], 2023) [2, 23, 29, 44, 53, 54, 61, 62]. Nevertheless, systematic unemployment among youth, skills and temporary labor-market solution in the GCC countries is an indicator of structural inefficiency in the labor-market. The spur of the national work force, the improvement of the level of the

educational system, and the further support of the entrepreneurship will remain the priority of the sustainable development. The blistering pace of the digital transformation that is disclosed via the initiatives of smart cities, such as Dubai Smart Vision, and NEOM in Saudi Arabia introduces the new market opportunities of economic development and requires the effective digital systems of governance and cyber-security.

The opportunities of development in West Asia are predetermined also by geopolitical tensions, dynamism on the energy market, risks associated with climate. Traditionally, regional wars and diplomatic tensions have been known to govern the flow of trade and investment and macroeconomic stability (World Bank, 2023) [6, 21, 28, 35, 42, 57, 70]. The heightened interest in the world about acting on climate puts additional demands to the economies that produce oil to use green transformation process earlier and offer environmentally-friendly policies. States, including the UAE and Saudi Arabia, were committed to net-zero emissions, and spend more on the development of renewable energies, with the most high-profiled one being solar energy and hydrogen, which signifies that the country becomes more committed to the sustainability of environmental sustainability (IMF, 2022). However, the aspect of energy diversification, and the need to survive based on relying on fossil energy is quite a broad point to raise.

The ability to overcome the effect of structural changes, inclusive development and globalization of economies will determine whether West Asia will be a better place to live in or not in future. The reinforcement of the management of the financial sector, the enhancement of the institutional effectiveness, the reinforcement of the systems of the private-sector and the advancement of the regional cooperation seem to be the priorities of the policy. The growth of sovereign funds, transnational infrastructure projects, and diversifying the trade alliance, especially to the emerging economies in Asia, means the growing economic interconnections and multipolar involvement (UNESCWA, 2022). Further investment in the education sector, technology, health systems, renewable energy and innovatively-driven industries will be significant in the quest of having an even-handed and robust economic growth.

West Asia is in a vital junction, all in all. Although the role of the hydrocarbon wealth has always played a significant trigger in the debate concerning the nature of its economy, the region has come to be transformed towards the diversified, knowledge-based, technologically-advanced developmental process. However, economic change is still subject to the stability of politics, good governance, reformation of labour market and the capacity to survive global changes due to economic fluctuations.

Methodology

The study will utilize qualitative, descriptive, and analytical approach to study the economic development path of West Asia, in terms of historical development, modern geographical diversification, geopolitics, and sustainability issues. The research utilizes mostly secondary sources of data such as books, peer review journal articles, institutional reports, and publications of international organizations such as the World Bank, IMF, UNESCWA and ILO to conduct the research. The sources were critically analysed to come

up with a formulation of the economic dynamics and policy structures of the region.

Thematic content analysis approach was applied to sort literature according to major themes: historical background, resource-based development, economic diversification strategies, conflict-affected economies, climate change, regional integration, and outlook. This guaranteed a combined analysis of economic trend and new reform agenda. It was also conducted by comparing the economic results of the Gulf Cooperation Council (GCC) states and countries with conflicts or scarce resources like Syria, Yemen, and Iraq.

The approach of the research is more of an interpretive analysis than an empirical statistical modelling as the conceptual scope of the paper requires and due to the usage of the available scholarly and policy literature. This strategy allows capturing a subtle idea of structural issues, institutional changes, and socio-economic patterns in different political and economic settings. Although secondary data will allow the researcher to survey the region extensively, the research paper recognizes its weaknesses associated with the inability to analyse primary field data and the dynamic quality of economic reforms in West Asia. The study can be complemented by future research that adds quantitative indicators and interviews with stakeholders to enhance the level of empirical understanding.

Historical Context of Economic Development in West Asia

Decades of historical developments have dealt with history, culture, and even geopolitical happenings that have characterized the economic developments of the west Asia or the Middle East as it is commonly called. In the successive history of the region the economic framework may be traced to the ancient Mesopotamia and Persia wherein economic growth in the territories like agriculture, commerce and government created the basis of the creation of institutionalized economic regime (Lewis, 2002) [16]. In Pre-modern Mesopotamia, modern-day Iraq, the earliest recorded forms of trade and irrigation-based agriculture were originally developed, so making it the cradle of the ancient trade as well as the city (Matthews, 2019) [17]. Equally, the Persian Empire erected states, levies, and broad road networks, one such was the Royal Road which allowed to strengthen economic connections between regions (Briant, 2017) [8]. Pioneer systems of this nature refer to the fact that the region was historically a transcontinental trading hub of Asia, African continents, and European continent.

The golden age of intellectual, cultural, and economic prosperity arrived in West Asia with the introduction of Islamic religion back in the 7th century. The Abbasid Caliphate which had its head office in Baghdad became the centre of the world and trade and commerce, therefore, the markets, financial institutions, and trade lanes between the Mediterranean and South Asian world flourished (Lapidus, 2014) [15]. Advanced and diversified economic environment was seen through innovations in the banking, credit services, in agriculture or urban planning (Kennedy, 2016) [14]. The commercial activities during this time like the caravan and maritime trade in the Arabian Peninsula and the commercial activities in cities like Damascus and Cairo led to cultural exchange, wealth generation hence making the West Asia the driving force in the international trade systems.

Nevertheless, economic stagnation was experienced in the West Asia since the late medieval period when the European sea powers developed direct sea routes with Asia and no longer relied on the ancient Silk Road and the Arab sea routes (Hourani, 2013) ^[11]. The collapse of the large Islamic empires, such as the Ottoman Empire and the Safavid Persia that had concentrated power and turmoil of trading systems with social and economic decay were contributed to the frailty of the centralized power and contributed to the augmented confusion of trade setups. By the 19th century, the West Asia had been more engulfed in European imperial and trade networks especially as the source of agricultural products and other raw materials and not independent industrializing regions (Owen and Pamuk, 1999). Tanzimat Ottoman reforms were to focus on modernisation of the administrative and economic institutions but the restrictions of the system and the outside forces could not be altered (Quataert, 2005) ^[19].

This is because the historical turning point in the modern economic history of West Asia was the existence of oil that was discovered in the early years of the 20th century. The oil reserves once referred to as hydrocarbons have since 1908 when it was discovered in Iran and subsequently in Iraq, Kuwait and Saudi Arabia have been radical in altering the economy of the nations and accelerating the rate of state-building and foreign intrusion and intervention (Yergin, 2011) ^[22]. The emergence of oil-producing monarchies and republics could be subsumed in the post-WW II world history, as in fact their economy was highly reliant on the income of petroleum. The creation of The Organization of the Petroleum Exporting Countries (OPEC) in 1960 also empowered the bargaining power of the region and helped to create some short-term alternations of the global balance of forces within the economy (Karl, 2017). Huge amounts of state revenues were created during the oil boom of the 1970s, and the government had an opportunity to invest it in immense infrastructure projects, welfare, and reforming industries, especially in the Gulf region (El-Mallakh, 2019) ^[10].

Structures had their weakness in place even though the fortunes had been anchored on the petroleum and oil revenue. In instances when the states depended upon the rent of resources, not on diversified productive economies, comprised the political and social arrangements, which were utilized to augment the underdevelopment of the private sector and gigantic dependence on foreign labour (Beblawi, 2019) ^[7]. At the same time, the non-oil-based countries like Jordan, Syria, and Yemen could no longer afford such developmental rates and had to live through the agricultural produce, remittances, and foreign subsidies on regular basis (Richards and Waterbury, 2018) ^[20, 26, 32]. Other undermining forces to economic development in the region were political instability, wars as well as the colonial legacies. The wars between Arabs and Israelis and the wars between Iraq and Iran, the Gulf wars and the current crisis in Yemen and Syria among others have broken the economic development and making an entry into the global markets (Dahi, 2022) ^[9]. The forces of oil dependency and globalization started getting felt in West Asia at the start of the 21st century. The states of GCC have initiated the programs of their aggressive development with references to the economic diversification of the sphere, the role of the own sector, and investment in such sectors as the sphere of finance, tourism, logistics, technology, and renewable energy (IMF, 2022).

The Saudi Vision 2030 and Qatar National Vision 2030 are the policies that claim the transition to the knowledge-based economy and lower dependence on the oil prices. In the meantime, the non-GCC states faced the problem of structural issues (unemployment, political instability, and marginal industrialization) (World Bank, 2023) ^[6, 21, 28, 35, 42, 57, 70]. Regardless of these inequality factors, history of the region in reference to trade, innovations, and strategic location also influences present onward development of the region in the international economy.

Contemporary Structure of Economic Development in West Asia

The modern economic scheme of West Asia is marked by the complicated integration of the resource-based advanced progress, diversification, strategic geopolitics, and new knowledge. The newly formed economic trend of the region is a combination of the momentum of its dependence on energy exports and a transformation of the paradigms of the post-oil development trends (Historically, it was known to be dependent on hydrocarbon wealth, specifically on the Gulf Cooperation Council [IMF], 2022). Oil and natural gas continue to play major roles in both domestic GDPs, state revenues in terms of the amounts of oil and natural gas along with the export revenues of Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Qatar and Iraq. To sustain the economic strength, these states still use their strategic dominance of the energy regimes of the world, sovereign wealth funds and investment portfolio (World Bank, 2023) ^[6, 21, 28, 35, 42, 57, 70].

One of the main characteristics of the modern development of the West Asian region is determined by the necessity to become economically diversified. The Saudi vision, the UAE vision, and the Qatar version are vision oriented and will probably help these countries to decrease their hydrocarbon reliance on tourism, finances, logistics, renewable energy, technology, and sophisticated manufacturing (Oxford Economics, 2023) ^[4, 25, 31]. Saudi Arabia is already proving itself as the world as a financial powerhouse, an aviation center and tourist attraction, with larger sources of infrastructure and technologies in place, such as NEOM and renewable energy megaprojects (IMF, 2022). Such projects demonstrate how the region will be having high value industries and globalization of the economy.

Non-GCC regions are more diversified in their economies, and are limited in structure. Services, remittances and trade form Jordan and Lebanon, whereas Iran is based on mixed economy with state control, sanctions, and export of hydrocarbons (Richards and Waterbury, 2018) ^[20, 26, 32]. Mean the same, the economic systems of post-conflict countries, where much of the regional development is rather ineffective, such as Syria, Yemen, and some of Iraq, are also low in terms of the potential of productive output, humanitarian crises, and low investment conditions (United Nations Economic and Social Commission for Western Asia [UNESCWA], 2022) ^[5, 27, 34, 40, 55, 56, 66, 67, 68].

The modern development policies may also be defined as the empowerment of both the private-sector and the labour-market reform. The GCC countries have further proceeded to formulate some policies to accelerate national labour force, entrepreneurship, and human capital development as a tool of reducing dependence on expatriate labour (International Labour Organization [ILO], 2023) ^[2, 23, 29, 44, 53].

^{54, 61, 62]}. The spheres of e-government, digitalization, and artificial intelligence indicate that the region is keeping up with the technological changes in the world. Besides it, sovereign wealth funds, including Public Investment Fund (PIF) and Abu Dhabi Investment Authority in Saudi Arabia also are powerful investors in the global flows of investors and in the infrastructure investments and the front runners in the areas (Oxford Economics, 2023) ^[4, 25, 31].

Despite this success, the modern forms of development continue to experience problems, such as fluctuating energy prices, climate-transitional pressures, geopolitical and financial pressures (World Bank, 2023) ^[6, 21, 28, 35, 42, 57, 70]. The necessity to be stronger institutionally, create an ecosystem of innovations and guarantee economic growth is an emergency. The future of the region will be characterized by policies reforms and political stability as well as the world economic situation since it remains in a transitional stage of rental states models to the diversified knowledge-based economies. Est Asia

Economic Diversification and Vision Strategy in West Asia

The diversification of economies has currently become a critical annotation of the present-day development strategy of West Asia rested on the knowledge that a long-term reproducible growth cannot be horse-tailed by impact of hydrocarbons only. Previously, the region, especially, the Gulf Cooperation Council (GCC) nations became high-riding on the export of oil and natural gas being the primary source of fiscal income, foreign exchange, and employment opportunities (International Monetary Fund [IMF], 2022) ^[3, 12, 24, 30, 37, 38]. However, fluctuating prices of the world energy supply, technological changes in the renewable energy sector, and increasing global climate commitments pushed to greater levels, have put pressure on reducing the degree of oil-based economy concentration and made innovation-driven economic development focusing on knowledge-intensive economies (World Bank, 2023) ^[6, 21, 28, 35, 42, 57, 70]. The governments of the west Asian countries have reacted by launching national transformation programs, or vision strategies, output in aim to change the economies, to create productive activities and to create human-capability.

The most impressive attempt is the Saudi Vision 2030 that was launched in 2016 and is supposed to help turn Saudi Arabia into a global diversified investment heavyweight. The plan is aimed at privatization, financial market reforms, development of non-oil sectors of the economy, such as tourism, entertainment, logistics, and renewable energy, and additional participation of the non-state sector in the work of the country (Saudi Vision 2030, 2021) ^[33]. The NEOM, Red Sea Development, and Qiddiya mega-projects are some examples of such projects that are oriented toward the innovation and competitiveness being presented by the kingdom. The United Arab Emirates (UAE) has embarked on a long-term development plan to achieve technical advancement, advanced manufacturing, clean energy, space technology, and world-wide logistics, among others, like the UAE Vision 2021 and UAE Centennial 2071 (Oxford Economics, 2023) ^[4, 25, 31]. The UAE has led the region and international economic centre by investing systematically in the country in terms of excellent infrastructure, aviation, and financial services.

Likewise, Qatar National Vision 2030 and Kuwait Vision 2035 (New Kuwait) centre on diversification of the economy by investing in education, infrastructure, financial markets, tourism and sports diplomacy (UNESCWA, 2022). When FIFA world cup 2022 was hosted in Qatar, it played the role of becoming a strategic contribution to the process of the fast-tracking of the development process of tourism, hospitality, and transportation. Vision 2040 in the realms of Oman focuses on the industrial diversification, development of fisheries, logistics, and renewable energy projects based on the larger change orientation to sustainable economic channels (Richards and Waterbury, 2018) ^[20, 26, 32]. Such initiatives are different in terms of design and timing yet all of them share the following basic objectives: development of the private-sector, innovation-ecosystem, and improvement of the economic competitiveness of ecosystems without oil.

Another significant feature of human capital formation and reforms of the labour-market also defines the diversification strategies. Previously, the residents of the GCC countries depended on the workers of expatriate origin, particularly on their jobs in the private sector, and the larger part of the population was occupied in the government (International Labour Organization [ILO], 2023) ^[2, 23, 29, 44, 53, 54, 61, 62]. The vision plans are aimed at education reform, vocational training, promotion of policies of entrepreneurship and nationalization- Saudization and Emiratization- to stimulate involvement and productivity of the workforce. A transition to knowledge-based economies that are typified by innovativeness and technical skills coupled with scientific innovation is likely to be promoted by more investments in higher education, research organization, and programs in order to empower the youth (IMF, 2022).

Renewable energy and sustainability efforts is another of the pillars of the diversification activities. The UAE, Saudi Arabia, and Qatar have as well embarked on huge solar and hydrogen governments, and the hall of the 2023 United Nations Climate Change Conference (COP28) took place in the UAE in a bid to enforce the position in global climactic activities (World Bank, 2023) ^[6, 21, 28, 35, 42, 57, 70]. This kind of efforts proves the further awareness of the region of the economic potential of green-energy transition and needs to adapt itself to the global changes in the demand of the world energy in the long term.

Though improvement takes place, issues still exist. The process of diversification is still influenced by the existence of structural constraints that include bureaucratic inefficiencies, unpredictable oil earnings, immaturity of the development of the private sector in some states, and geopolitical tensions (IMF, 2022). In addition, the issue of inclusive development and overcoming the socioeconomic disparities are crucial in provoking sustainable success of not only the GCC but also the non-GCC economy. Nevertheless, the future-focused investment decisions in the direction of economic stability and competitiveness in the oil sector is exemplified by the tactical investment of the region in the technological facilities, smart cities, digital governments, as well as the collaborative approach to other nations of the world.

Economic Development in Conflict-Affected States in West Asia

West Asia has been having conflict-stricken states such as Syria, Yemen, Iraq, and Palestine, whose structural and

institutional obstacles to effective economic progress are acute. The continuous wars, political instability, and foreign intervention have brought about essential disruption of the economic systems, the undermining of the state institutions, and massive displacement and human capital loss (World Bank, 2022) [41, 49, 69]. These crises have destroyed infrastructure, narrowed industrial productivity and diminished the capacity of governments to finance developments hence long-term developmental issues. As an illustration, the Syrian war has led to an accumulated economic loss of more than 226 billion since 2011, in large part owing to the destruction of key infrastructure and the failure of productive sectors (UNESCWA, 2020) [39].

Another extreme scenario in economic collapse due to conflicts is Yemen. It has been in consistent turmoil since 2015, which has thrown the country into one of the direst humanitarian and economic crises in the world, the GDP of which has fallen by an estimated 50 percent, and more than 80 percent of the populace is now on external assistance (World Bank, 2023) [6, 21, 28, 35, 42, 57, 70]. Economic disintegration among the competing powers, elimination of vital infrastructure, and the interruption of food and fuel chains have further impoverished people and reduced the prospects of development (International Crisis Group, 2022) [3, 12, 24, 30, 37, 38].

The oil reserves in Iraq are still large, but the effect of an extended conflict and the weak state of governance had impeded diversification and fair economic development. The struggle against extremist organizations, geopolitical competitions, have not only proved burdensome to the general budget, but also to the incitements of both the private investment and foreign involvement in the reconstruction efforts (Al mukhtar, 2021). Consequently, Iraq is a country that is still significantly dependent on oil revenues which seem to mean that the economy is also exposed to fluctuations on the price of energy along with political instabilities. On the same note, Palestine faces stagnant economies, because of political suppression of movement, and frequent war which limits trade, investments, and development of infrastructure (IMF, 2022). The attempts at restoring the economies of West Asia affected by conflict are becoming more concentrated on the institution-building, inclusion in governance, and reconstruction programs. It is through the policies that international aid agencies promote resilience and stability in financial systems, positive small businesses, and recovery of the lost essential services that will contribute to long-term resilience and stability (United Nations Development Programme [UNDP], 2022) [5, 27, 34, 40, 55, 56, 66, 67, 68]. Nevertheless, it is still subject to political compromise, regional collaboration, and international financial assistance to have sustainable recovery. In the absence of structural changes and peace-building, the nations in the West Asian region that have experienced conflicts will remain plagued by high levels of developmental and resource insecurity as well as socio-economic weaknesses.

Geopolitics Dynamics, Trade, and Regional Integration

The West Asian economic landscape is mostly influenced by trade, regional integration and geopolitics. The area is historically strategic and connected Europe, Africa and Asia, and continues to be a global energy export centre, sea routes, and strategic logistical routes (Khan, 2022). As oil and gas resources in the Gulf Cooperation Council (GCC)

countries are some of the largest in the world, the trade structure of West Asia remains based on the export of hydrocarbons although the region still depends on imports in products related to food, technology, and manufactured goods (International Monetary Fund [IMF], 2023) [2, 23, 29, 44, 53, 54, 61, 62].

The regional integration is not even because of political conflicts, security crisis and ideological differences. Although GCC countries have been relatively successful in integrating their economies and formation of agreements related to trading and customs, the overall process of making the region more connected by cooperating internationally has been constrained by political divides, economic differences, and conflict (World bank, 2022) [41, 49, 69]. Recent normalization of diplomatic ties among various gulf countries and Israel under the Abraham Accords have brought new business opportunities, investment relations and technological collaboration, especially in energy technology, cyber security and agricultural practices (Miller, 2022) [48, 65]. Nevertheless, these advances have also increased geopolitical tensions especially on the matters of Palestinian statehood and regional alliances.

Geopolitics has a great role to play in the flow of trade and investment patterns in West Asia. The Babylonian politics between Saudi Arabia and Iran, the significance of the Strait of Hormuz, and the influence of the external forces including the United States, China, and Russia bolster regional business priorities (Al-Tamimi, 2021) [43]. Belt and Road Initiative (BRI) has been spreading its power by investing in maritime ports, industrial zones, and energy infrastructure by making China an influential economic player in Gulf and Levant economies (Li, 2023). The US has been the key to the regional security systems, and the increasing diplomatic and military activity of Russia has an impact on geopolitics in energy and competition in investments (Khalil, 2023) [45, 63].

Both geopolitical uncertainty and maritime security risky behavior, as well as various sanctions regimes including Iran and Syria, still restrict the regional trade and financial flows despite the increased diversification efforts (IMF, 2023). However, there are newer trade projects, integration in the digital economy and energy-transition partnerships that can lead to more profound collaboration. The western stability of the region, economic diplomacy, and harmonization of institutions will continue to be the primary factors of the trade and geopolitical future of West Asia.

Climate Change and Sustainability

Since the problem under consideration is also the burning issue of the modern West Asian reality, the climate change is closely connected with the establishment of the region economically in a more economical way, with the security of the region resources, and with its future prosperity. It is evident that the presence of climate stressors in the area is extremely high due to its specifics in geographic and environmental terms, which include arid climatic conditions, the lack of fresh water, use of fossil fuels as the primary energy source, etc (United Nations Environment Programme [UNEP], 2022) [5, 27, 34, 40, 55, 56, 67, 68]. Increase of the temperature, desertification, and changes in rainfalls are endangering agricultural production, water availability, and human livelihood and severe weather has further put pressure on infrastructures and energy sources (World Bank, 2023) [6, 21, 28, 35, 42, 57, 70].

The problem of water shortage is one of the most burning sustainability problems in the area. The freshwater is among the lowest in the world, by the per-capita level, and climate-related changes only add to the already limited supply of water in west Asia (Arab Water Council, 2022) [51]. Rise of rivers to countries such as Iraq, Iran is reduced by the drought and upstream water assistance, gulf states are flooded with desalination plants that are consuming colossal amounts of energy, the use of which is already leading to carbon emissions and changing the ecological situation in the long-run (Bouckaert, 2022) [52, 60]. In the absence of the sustainable management of water and inter-regional cooperation water insecurity threatens the establishment of social turmoil and frustrates industrial development.

However, in an effort to solve these challenges, the national development policies being currently practised by the West Asian states are beginning to lean towards sustainability. GCC economies, specifically the United Arab Emirates (UAE) and Saudi Arabia have initiated massive initiatives to support the use of renewable energy and green hydrogen evolution and establishment of the carbon-neutral industrial environment. To mention a few, Net-Zero 2050 plan by the UAE and Green Initiative by Saudi Arabia are aimed at developing clean energy, re-planting forests, and circular carbon (Al-Saidi, 2022) [50,58]. Additionally, the hydrogen projects like Noor Abu Dhabi solar energy infrastructure, hydrogen system at NEOM, and so on, suggests that the region would prefer to become post-hydrocarbon economies (International Renewable Energy Agency [IRENA], 2023) [2, 23, 29, 44, 53, 54, 61, 62].

Nevertheless, the problems of implementation remain. Although the Gulf countries with a high level of income could change the situation, war-torn and resource-constrained countries, like Yemen, Syria, and Iraq, have problems with fulfilling the basic environmental governance requirements that restrain the development of convergence of the region in the sustainability goals (UNDP, 2022). Also, the area is still greatly reliant on the earnings of the fossil fuel, and the objectives to switch to the energy transition should be harmonized with the objectives of social-economic prosperity, labour and budgetary sustainability (IMF, 2023).

Amazingly, climate resilience and sustainability in West Asia must be aligned in policy platforms, technology creation, transformation of water governance and regional cooperation. Other issues that will be important will include the capability of enhancing environmental management, the increase of renewable energy and community upscale so as to create the long-term ecological balance and economic stability. Without the active climate policies, West Asia will be vulnerable to the next decades of intense ecological destruction, the financial and social crisis.

Challenges and Future Outlooks

West Asia has a complicated economic development, which is described as being geopolitical, structural, environmental and social complexities. Despite the huge development that has been experienced as far as strengthening the infrastructural aspect is concerned, diversification and interconnectedness of the region within the global market, the region still suffers a multidimensional threat or risk that undermines the long term development. The first ones are political turbulence, hydrocarbon reliance, population pressure, technological backwardness, environmental

pressure, and unequal cooperation in geography (International Monetary Fund [IMF], 2023) [2, 23, 29, 44, 53, 54, 61, 62]. It is needed to counter these challenges with help of three types of policies; they comprise sustainable planning, coordination policy reform and special socio-economic policies.

Its reliance on oil earnings in the region persists to be one of the major problems. Despite the fact that the state members of the Gulf Cooperation Council (GCC) have begun diversifying their programs, the exportations, the fiscal revenues, and the government spending are taking a major part (World Bank, 2023) [6, 21, 28, 35, 42, 57, 70]. The split international energy market is also associated with fiscal risks, as well as the energy transition processes can lead in the future to the decrease in the consumption of the fossil fuel. Achievement of such plans like the Saudi Vision 2030, or the UAE Net Zero 2050 will rely on the institutional reforms, which are long-term, empowering the private sector, and incorporating renewable energy and digital infrastructure (Al-Saidi, 2022) [50, 58]. The non-oil economies like Jordan and Lebanon on the contrary are debt bound, have low levels of investments and structural constraints on the labor-market that will curtail the diversified developments (United Nations Economic and Social Commission for Western Asia [UNESCWA], 2022) [5, 27, 34, 40, 55, 56, 66, 67, 68].

Political instabilities and war are even complicating the development paths. It has also destroyed displacement, the lack of an institution, and the ability to produce during the years due to the crisis in Syria, Yemen, and Iraq and because of Palestine (UNDP, 2022). To repair these economies, peacebuilding, investments in the countries abroad, and institutional fortification are still needed. Even the presence of a geopolitical and intra-regional tension such as Iranian-Gulf tension, and the influence of world powers especially the United States, China and Russia have remained to impact on the investment inflows, security policies and the trade relations (Khalil, 2023) [45, 63]. The potential solutions to the stabilization of the area and economic cooperation can be found in the diplomatic processes, which include the Abraham Accords and the Saudi- Iran detente, but the threats to the collaboration in the long-term are the insufficient mutual trust and biased interests (Miller, 2022) [48, 65].

There is a major objection of demographic, as well as labor-market dynamics. Most of the states in the West Asian region are experiencing increased unemployment of the youth population, inclination of their skills and decreased absorption of everything in the private sector and offers social discontents to the area (Arab Labour Organization, 2023) [59]. The countries like Saudi Arabia and UAE are also boosting the level of labor force participation which, however, is limited in most states by the socio-cultural and institutional factors (World Bank, 2022) [41, 49, 69]. Within the stated tendencies, the development of human capital, as well as changes in the education system and enhancement of the labor market, are provided with the mixture of elements to keep up with the future economic demand and the favorable evolution of the inclusive type.

Another high-risks is climate change and environmental degradation. Water deficiency, temperature increase, and urbanization threaten infrastructures and agricultural work and especially on the discussed areas which already have no water (UNEP, 2022). Even though the developed countries

of the Gulf can afford renewable energy, desalination, and sustainable urbanization, the poor and weak countries lack financial and institutional facilities to erect architectural and institutional system adjustments in a large scale (Bouckaert, 2022) [52, 60]. Significant cooperation of the regions, responsive governance, and nation-based green-energy transition should be actualized to accomplish sustainable development in all the regions.

Another opportunity and the largest threat in the future is the economic future of west Asia. The medium-run bolstering of the international energy needs, especially involved in the consumption of the natural gas, and other low-carbon types of energy, such as the green hydrogen, might trigger another wave of industrialization to manifest in the Gulf States (IRENA, 2023). This will make the region stronger in connection and knowledge-based economies due to better logistic developments, technology centres, and diversification of tourism. The opening of the Belt-and-Road Initiative by china and the maturation of relations between the gulf and Asia are transforming the trades and the infrastructural aspect in general (Li, 2023). The future long run expansion will be though on the capacity of the institutions to be reinforced to cushion the investment environment besides promoting innovations in the private sector.

The concept of cooperation of the regions will become very important in the West Asia development future. The multilateral frameworks must be enhanced, the cross-border energy and transport systems must be refined, and the water-resource agreements must be increased to contribute to the stability and proliferate prosperity (UNESCWA, 2022). The digital-economy development, the fintech development, and the urban-smart initiatives can be considered as the key areas of growth, which can lead to the appearance of high-skilled jobs and economic stability. However, the disparity, influx of refugees, and administration-related problems that continue to exist pose a threat to the unity between social groups, and this is financial sustainability (IMF, 2023).

West Asia is at crossroad. The region may have had its share of structural and geopolitical setbacks but under the moderate policy restructuring, institution empowering policies, and diversified investment policies, the future of the region may be constant stability and prosperity. The successfulness in chasing changes in the economic sphere and the new tendencies in geopolitics of the world will depend on whether the region will be able to change itself to knowledge-based, green, and inclusive economies.

Conclusion

The economic growth of West Asia is characterized by an extensive historical and structural transformation- the ancient civilizations of trade to a hydrocarbon revolution and, not so long ago, there is the intentional policy of diversification. Although oil and gas riches have facilitated the fast modernization and high standards of living, it also brought about financial frailty associated with fluctuating world oil and gas markets. In turn, Gulf States have begun long-term strategic visions of innovation, renewable energy, tourism, logistics, financial services, and knowledge-based industries. Such attempts are an indication of a radical paradigm change in favour of sustainable and resilient economic approaches.

Nevertheless, there is an unequal development in the region. States that have been affected by conflicts like Syria, Yemen, and Iraq are still struggling with institutional weakness, humanitarian crisis, and poor productive capacity, which hamper equal growth. Such structural issues as water shortage, climate change pressures, youth unemployment, and ongoing geopolitical tussles affecting trade, investment, and security are also common to the area. Nevertheless, despite these challenges, West Asia is at the crossroads. Long-term prosperity is a way out through strategic reforms, regionalization, and human capital and green technology investments. It will be important to strengthen governance and enhance the dynamism of the private-sector and pursue inclusive development policies. When properly pursued, continued changes initiatives will see West Asia evolve into diversified world centres and not just oiled economies, which will see the region poised in a sustainable and competitive future.

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