



DEFENSE, EMERGING TECHNOLOGY, AND STRATEGY PROGRAM

Capital as Statecraft

GCC Sovereign Investments
and Twenty-First Century
Power Projection

Dalia Aita



HARVARD Kennedy School
BELFER CENTER

50 YEARS
OF RESEARCH, POLICY,
AND LEADERSHIP

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Prior to HKS, she worked for three years as an analyst in the Middle East and Central Asia Department at the International Monetary Fund, conducting regional macroeconomic analysis. Trained in economics, she is interested in the intersection of economic policy, finance, and geopolitical strategy. She holds a BA in Quantitative Economics from New College of Florida.



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Executive Summary

GCC sovereign investment constitutes a systematized approach for establishing strategic presence through capital deployment across infrastructure, emerging technology, and industrial domains. Foreign direct investment functions as an instrument that systematically institutionalizes economic integration as a mechanism of power projection. Analysis of the UAE and Saudi Arabia's outbound FDI from 2015-2025 reveals divergent strategic logics that vary systematically based on recipient state institutional capacity. This report examines how GCC states, particularly the United Arab Emirates and Saudi Arabia, deploy outbound foreign direct investment for strategic long-horizon positioning.

Core Findings:

- The UAE operates a dual-track deployment strategy targeting key infrastructure and energy systems in fragile states while acquiring stakes in emerging technology and advanced industrial sectors in developed economies. This pattern reflects an evolving mode of statecraft, in which capital is deployed to embed influence within the systems that underpin national and economic power.¹
- Between 2015 and 2025, the UAE deployed \$449 billion across 138 countries, while Saudi Arabia invested \$147.5 billion through a systematic geoeconomic strategy.
- In fragile contexts, UAE investment concentrates on critical physical infrastructure assets such as transportation systems, maritime facilities, supply chain corridors, power generation, and real estate, gaining strategic access to assets that are essential to national functionality and economic sovereignty. In advanced economies, investment targets semiconductors, cloud infrastructure, and AI ecosystems: sectors central to global industrial competition.

- Saudi Arabia operates through a parallel but distinct logic. Saudi FDI concentrates on energy infrastructure and industrial sectors, with significant deployment in Global South and BRICS states, while maintaining limited engagement in fragile states or technology-intensive markets. Saudi Arabia pursues economic anchoring through energy interdependence, rather than insertion into diverse strategic sectors.
- These patterns demonstrate a fundamental shift in how the GCC states project themselves globally. GCC sovereign capital increasingly operates as an alternative node of strategic financing, providing differentiated terms in fragile settings while acquiring stakes in advanced industrial ecosystems.
- This capital deployment serves dual purposes: establishing a strategic presence in fragile states and securing technological access in advanced economies, while balancing commercial returns with geopolitical objectives across both contexts. GCC capital now functions as a pole of strategic financing with its own geopolitical logic distinct from US, Chinese, and Russian approaches.

Introduction and Strategic Framing

This report examines how GCC states deploy outbound FDI as an instrument of geopolitical positioning, framing these investments as instruments of influence, infrastructure deployment, and institutional engagement. It specifically asks how sovereign and state-linked GCC actors leverage FDI to shape governance structures, secure strategic access, and integrate within essential systems of fragile and advanced markets.

This analysis relies on disaggregated fDi Markets data spanning January 2015 to May 2025, capturing only greenfield investment projects and accessed through a research collaboration with Dr. Karen E. Young, capturing GCC capital acceleration following oil price shocks, the launch of Saudi Vision 2030, and broader multipolar realignment.² Investment flows are analyzed across four country blocs: fragile states, OECD, BRICS, and the Global South, organized by sectoral clusters: infrastructure, energy, advanced technology, and manufacturing.

Entities are classified as “state-linked” if they meet any of the following criteria.³ First, any firm in which the state, a sovereign wealth fund (e.g., PIF or ADIA), or its subsidiaries hold more than 50 percent equity, directly or through layered ownership structures, is classified as state-linked. This includes joint ventures with 50/50 ownership, if a state or SWF actor is a founding or active equity partner. Second, subsidiaries or affiliates of state-owned or SWF-controlled firms are classified as state-linked, even if ultimate control is routed through intermediary entities. Third, entities in which a state or SWF holds a minority stake (30-49 percent) are also considered state-linked if they retain strategic control, such as through board dominance, golden shares, or veto rights over key decisions.

The report develops a comprehensive framework through the UAE case study analysis, then applies this framework to Saudi Arabia to identify convergence and divergence patterns. Comparative synthesis reveals emerging typologies of GCC capital as a mode of contemporary statecraft.

Conceptual Framework

The GCC States systematically deploy sovereign capital for power projection, institutional influence, and long-horizon geopolitical positioning. These capital flows function as state-directed investments into critical infrastructures, generating durable strategic relationships with recipient states.

Entities such as Mubadala, ADQ, and Saudi Arabia's PIF operate with hybrid logics: blending commercial return objectives with geopolitical imperatives. These institutions operate under dual mandates that integrate revenue generation with state strategic interests across global markets. This dual-mandate approach creates a hybrid form of statecraft where economic instruments serve strategic purposes while maintaining commercial viability.

Strategic Logics

There are three strategic logics that characterize the architecture of GCC capital deployment: infrastructure leverage, technological integration, and asset-intensive entrenchment.

1. **Infrastructure Leverage in Fragile States:** GCC investments target foundational infrastructure to establish operational presence and structural dependency through ownership, long-term concessions, and system-level integration.
2. **Technological Integration in Advanced Economies:** Capital flows into strategically competitive sectors embed GCC states within the technological foundations of modern state power and industrial competitiveness.
3. **Asset-intensive Entrenchment Across Contexts:** GCC entities prioritize asset-heavy investment in real estate, logistics, and energy, embedding themselves within the operational architecture of recipient economies through long-term concessions and sustained institutional integration.

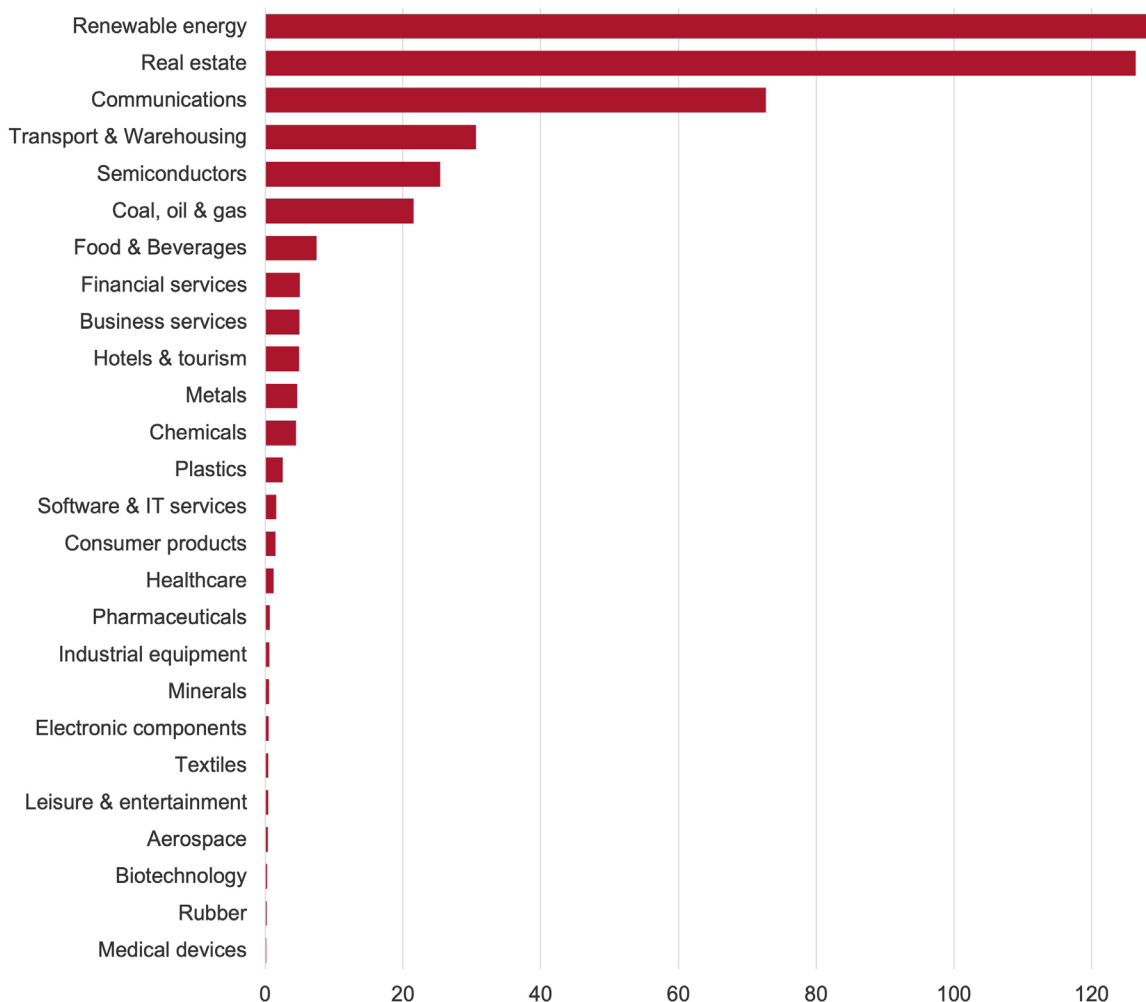
Together, these logics reflect a broader geoeconomic strategy that operates in parallel to traditional forms of power projection. Where treaties and bases once shaped global alignments, GCC capital now recasts statecraft through equity stakes, infrastructure ownership, and supply chain interdependence. This model projects power by embedding leverage within the economic systems of partner states.

Empirical Foundations and Sectoral Concentrations

Between January 2015 and May 2025, the UAE deployed over \$449 billion in outbound FDI across 138 countries and 36 sectors. Disaggregated analysis reveals a targeted deployment strategy reflecting state-driven priorities regarding where and how Emirati capital deploys.

UAE capital demonstrates systematic concentration. Of \$449 billion deployed, 90 percent concentrates in six sectors: Renewable energy (\$128 billion), real estate (\$126 billion), communications (\$72 billion), transportation and warehousing (\$30.6 billion), semiconductors (\$25.4 billion), and coal, oil, and gas (\$21.5 billion).

Figure 1: UAE: Foreign Direct Investment by Sector, 2015-2025 (USD Billion)



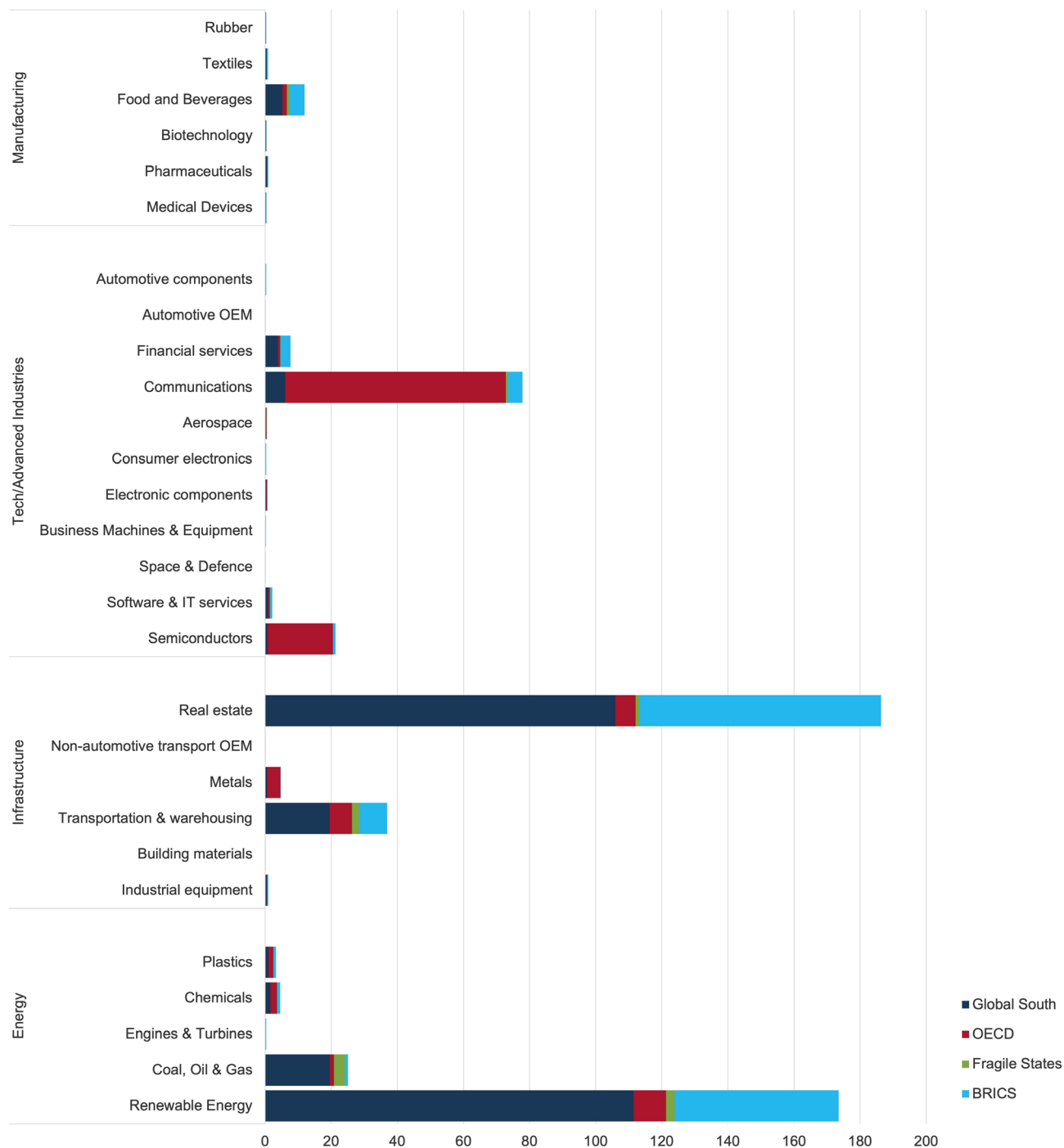
Sources: fDi Markets; and author calculations.

Capital deployment in fragile states targets physical infrastructure such as real estate, logistics, power generation, and energy systems that drive sustained market integration. Investments in the OECD concentrate on high-tech industries: semiconductors, communications, and digital systems that provide access to advanced industrial capabilities and knowledge networks.

Geography and Strategy in Bloc-Based Deployment

Our analysis groups recipient states into four blocs, revealing patterns of geographic and sectoral targeting. Figure 2 illustrates the UAE's outbound FDI composition by sector and geographic bloc, highlighting how deployment varies across different levels of institutional and market maturity.

Figure 2: UAE: Foreign Direct Investment by Sector and Geographic Block, 2015-2025 (USD Billion)

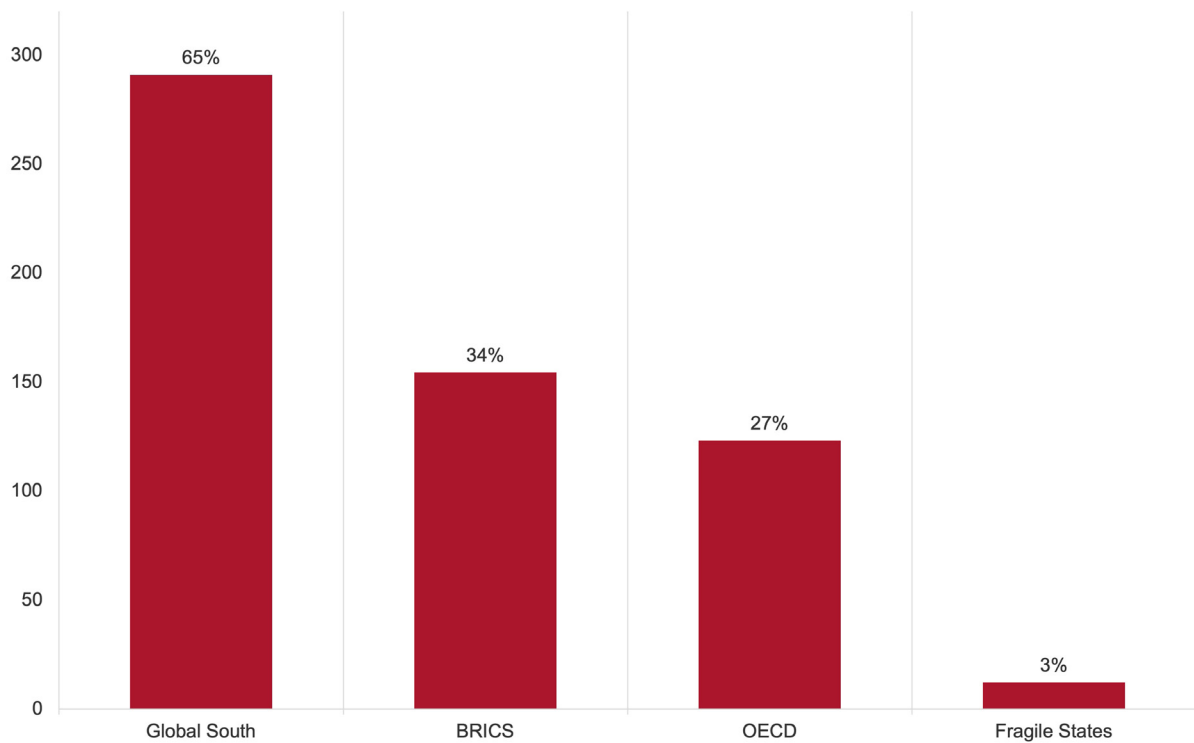


Sources: fDi Markets; and author calculations.

Fragile states receive modest overall investment, but sectoral targeting is concentrated. UAE investment targets core infrastructure, including energy networks, logistics corridors, transportation, and food systems, creating durable market positions that align strategic objectives with financial returns. Investments in OECD target technological integration. These investments embed UAE entities within the technological backbone

of advanced economies, positioning them with supply chains essential to national competitiveness and global industrial competition. Figure 3 shows the aggregate geographic distribution of UAE outbound FDI between 2015 and 2025, with a clear concentration in the Global South, followed by BRICS and OECD economies, and minimal flows to fragile states.

Figure 3: UAE: Foreign Direct Investment by Geographic Bloc, 2015-2025 (Percent)



Sources: fDi Markets; and author calculations.

Note: percentages represent FDI received as a percentage of total FDI 2015-2025.

BRICS includes Brazil, Russia, India, China, South Africa, Egypt, Indonesia, Ethiopia, Iran, and Saudi Arabia. While the UAE was invited to join BRICS in 2023, it is treated here as a non-member investor to ensure consistency across the 2015-2025 period.

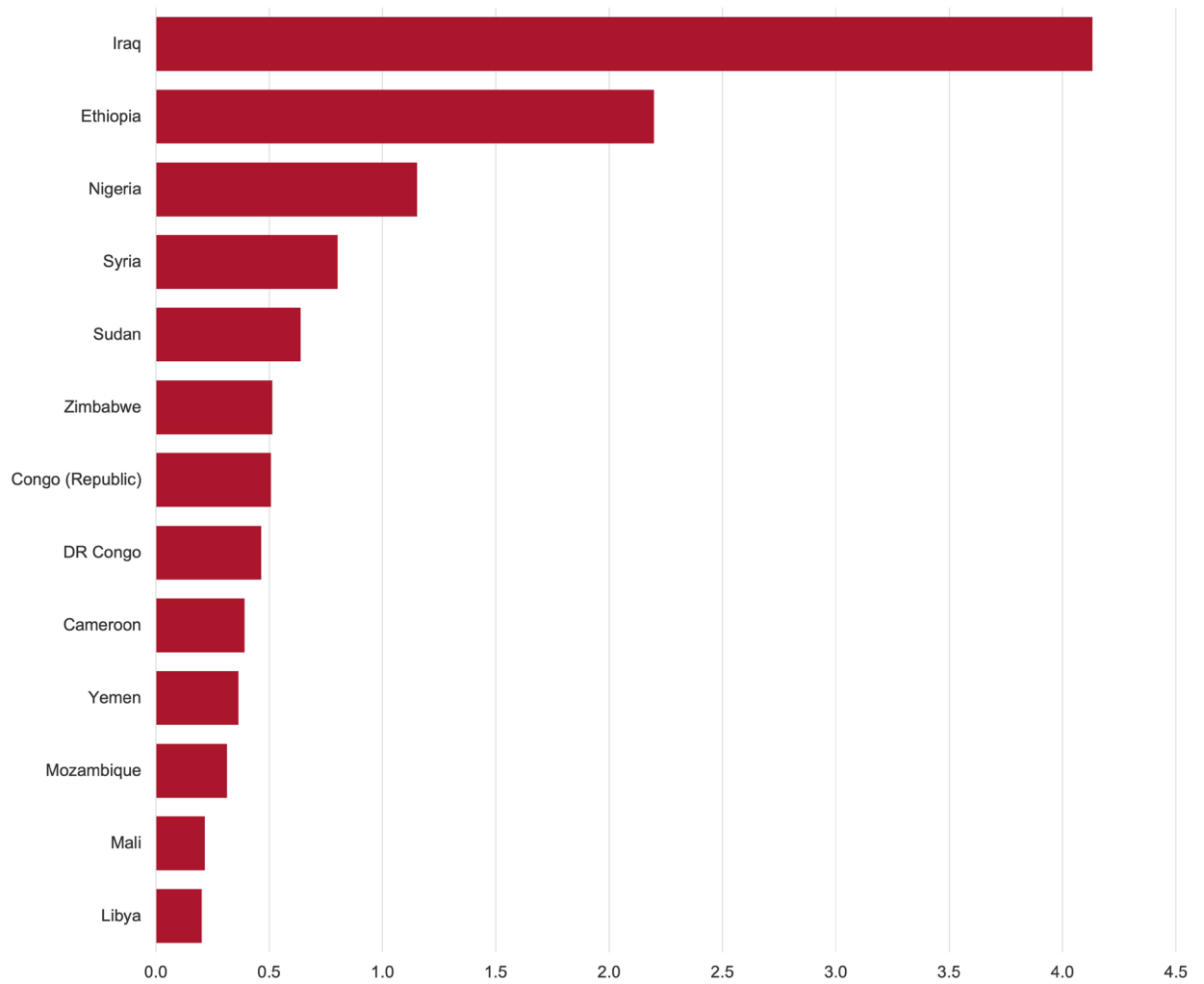
Significant capital flows are channeled through state-linked enterprises such as Mubadala, ADQ, ADIA, DP World, G42, and TAQA. Their deployment patterns mirror broader sectoral trends: \$62.8 billion in renewables, \$32.5 billion in real estate, \$25.4 billion in semiconductors, \$24.7 billion in transportation and warehousing, \$24.6 billion in communications, and \$10.5 billion in coal, oil, and gas. These investments illustrate a geoeconomic approach that uses commercial structures to advance national objectives, producing portfolio positions that align both strategic and financial imperatives.

Case Analysis I: The UAE in Fragile States

Fragile states are arenas for capital-driven models of influence, with the UAE deploying sovereign capital as a tool of structured statecraft. Through sovereign investments, the UAE embeds itself within economic and infrastructural systems to secure leverage across critical sectors, strengthening its bargaining position in regional alignments and policy coordination.

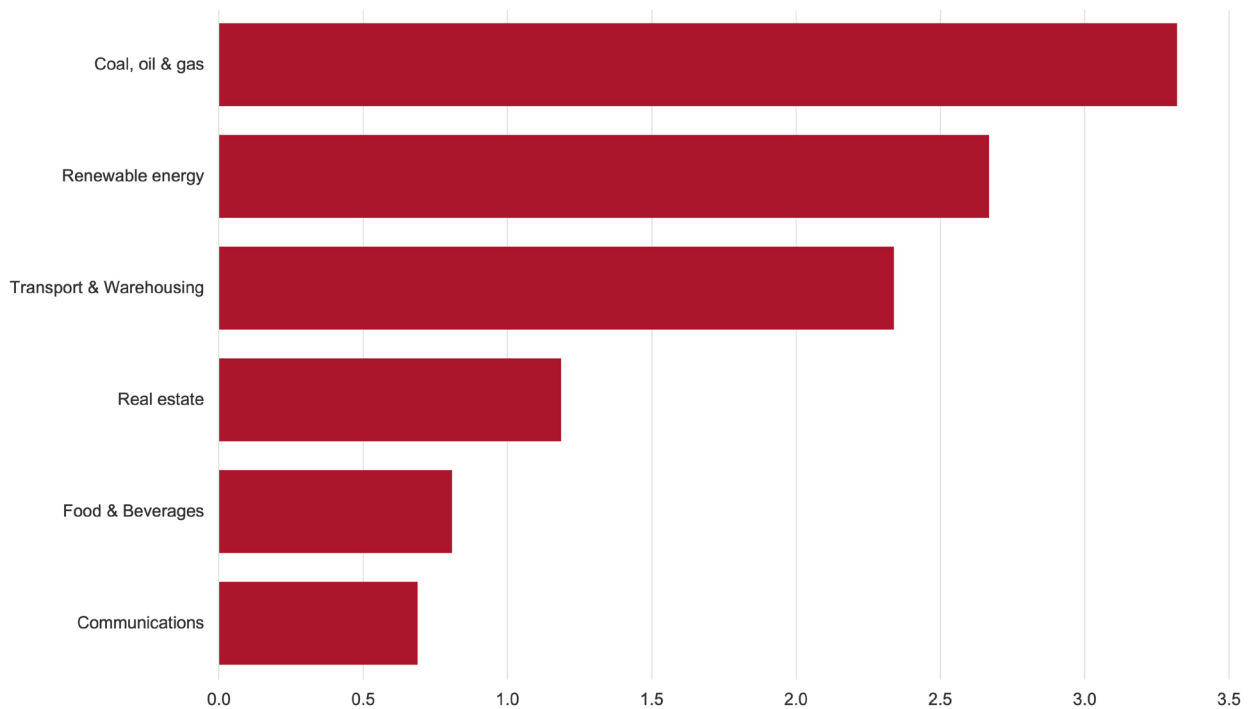
Between 2015 and 2025, the UAE deployed \$12 billion to fragile states, with flows concentrated in infrastructure, energy, and other strategic sectors. These flows are heavily oriented toward countries with access to key regional corridors. Primary recipients include Ethiopia, Sudan, Syria, the Republic of Congo, and Iraq; each functions as a strategic node within regional power networks. Ethiopia provides strategic access to the Horn of Africa shipping lanes and sits at the nexus of Nile Basin resource dynamics; Sudan provides access to the Red Sea corridors; Syria opens Eastern Mediterranean routes; Iraq positions the UAE between GCC and Iranian spheres of influence. These states serve as gateways for regional trade, energy transit, and geopolitical influence. Figure 4 ranks the top fragile state recipients, while Figure 5 details sectoral deployment.

Figure 4: UAE: Top Fragile State Recipients of FDI, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

Figure 5: UAE: Foreign Direct Investment into Fragile States by Sector, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

Approximately 85 percent of Emirati outbound FDI in fragile states is concentrated in energy, renewables, transport and warehousing, real estate, and food systems. These investment flow into ports, logistic corridors, storage facilities, and energy infrastructure, embedding the UAE within critical supply chains that shape economic stability and regional connectivity. Through these channels, the UAE assumes operational roles in maritime trade, energy distribution, food security, and urban development; functions that underpin economic stability, strategic autonomy, and external alignments for recipient states.

Roughly 40 percent of these investments in fragile states are deployed through sovereign wealth funds or state-linked entities, including DP World, Masdar, Etisalat Nigeria, and Abu Dhabi Ports. Acting through these vehicles, the UAE holds equity stakes in ports, logistics corridors, power generation, and food systems, extending its influence across fragile state economies.

The UAE structures these investments as commercial partnerships rather than aid programs. Recipient states gain essential infrastructure development and capital infusion without conventional conditionalities. When the UAE develops Ethiopia's ports or manages Iraq's energy assets, these countries become structurally reliant on Emirati technical expertise and operational support. During periods of conflict

or economic strain, the UAE's influence over strategic infrastructure and transit corridors translates into leverage in regional crises management and policy negotiations.

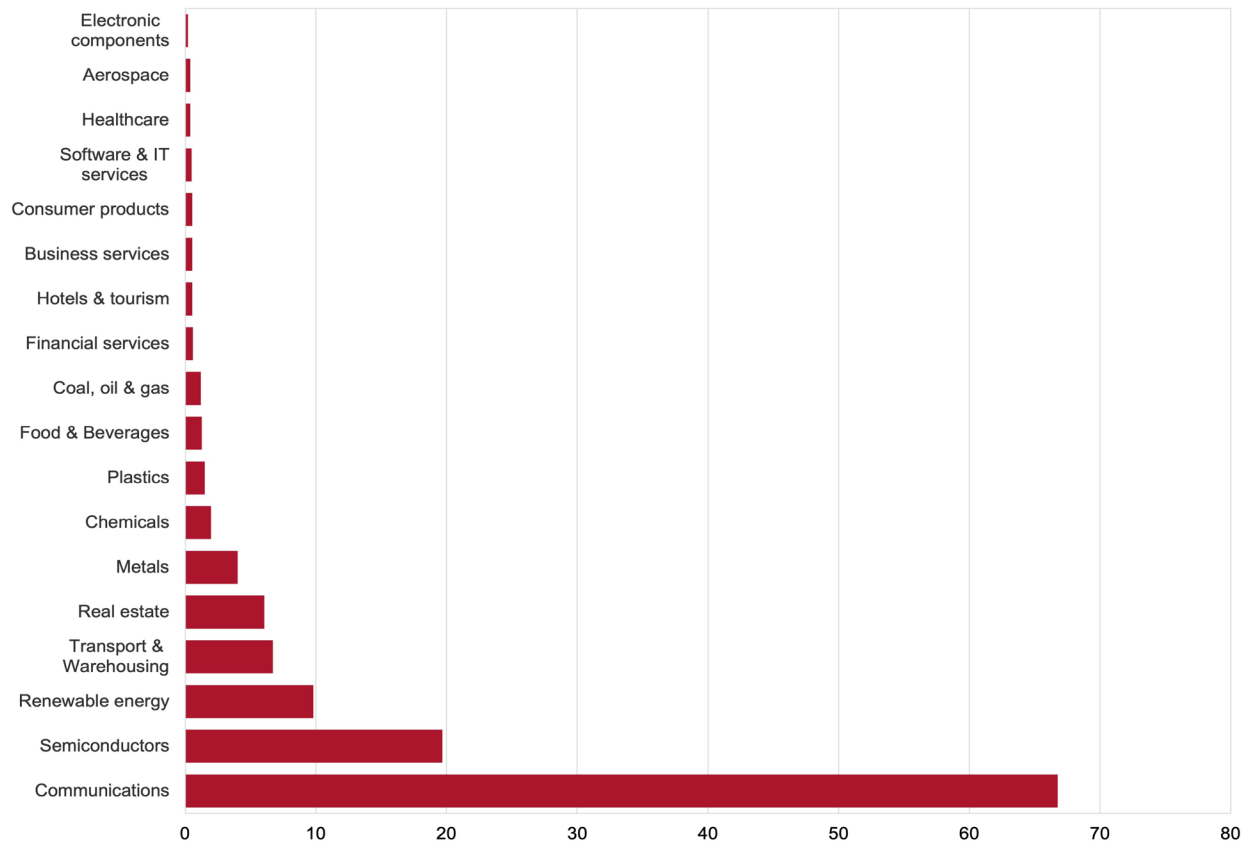
Case Analysis II: The UAE in the OECD

UAE investment in advanced markets follows a distinct strategic logic: embedding capital within critical technology ecosystems and high-value industrial sectors. Through its capital flows, it secures access to advanced technological capabilities and positions itself within high-value industrial value chains.

Between 2015 and 2025, the UAE deployed over \$123 billion to OECD countries. Sectoral concentration reveals systematic targeting of technology-intensive and data-rich industries, including communications (\$66.7 billion), semiconductors (\$19.6 billion), renewable energy (\$9.8 billion), transportation and warehousing (\$6.7 billion), and real estate (\$6 billion). Communications investments encompass cloud infrastructure, AI, cybersecurity, blockchain, and fintech, which constitute the digital and technological foundations of contemporary state and economic power.

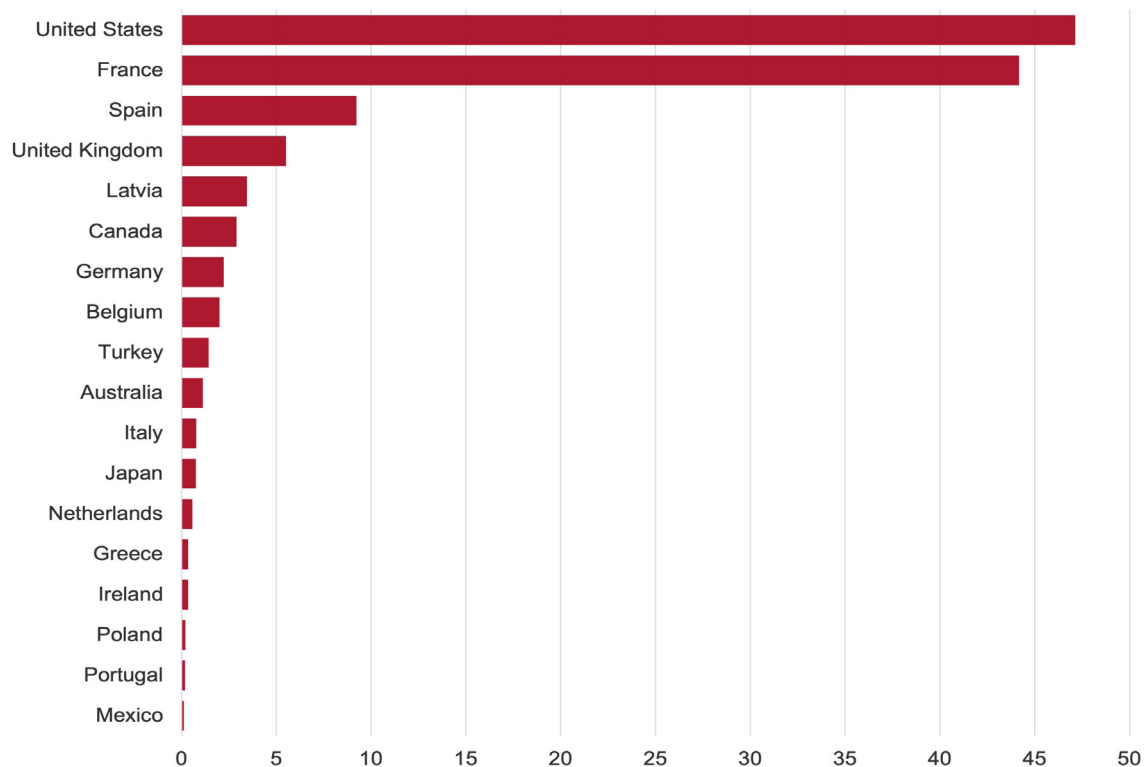
The United States has absorbed over \$47 billion of UAE capital, concentrated in semiconductors and communications. France receives substantial investment, followed by Spain, the United Kingdom, Latvia, and Canada. These flows illustrate the UAE's effort to integrate into critical and emerging technology ecosystems, a pattern consistent with its ranking in the 2025 Critical and Emerging Technologies Index, which benchmarks national technology power across AI, biotechnology, semiconductors, space, and quantum sectors.⁴ While the the Critical and Emerging Technologies Index measures domestic capabilities rather than investment activity, the UAE's position within the emerging cohort of technology powers, below the US-China duopoly but ahead of some developing economies, underscores systematic efforts to build a presence in global technology networks historically dominated by incumbent technology powers. In this respect, Figures 6 and 7 highlight UAE capital alignment across strategic sectors and destinations within OECD markets.

Figure 6: UAE: Foreign Direct Investment into OECD by Sector, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

Figure 7: UAE: Top OECD Recipients of FDI, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

State-linked entities dominate UAE investments across advanced technological domains. The UAE's \$19.6 billion semiconductor deployment establishes it as a significant player in global chip manufacturing. All UAE semiconductor investments are routed through state-linked vehicles, with GlobalFoundries serving as the primary channel. Investments in communications display sophisticated deployment patterns, with state-linked entities accounting for roughly one-third of total sector allocation, primarily through Damac Data Centres and Group 42. These investments go towards cloud computing infrastructure, data centers, ICT systems, and the development of AI capabilities that underpin global technological sovereignty. Approximately 27 percent of Software and IT investments are channeled through state-linked vehicles, primarily Group 42 and Starlink, concentrating on cybersecurity R&D and AI development.

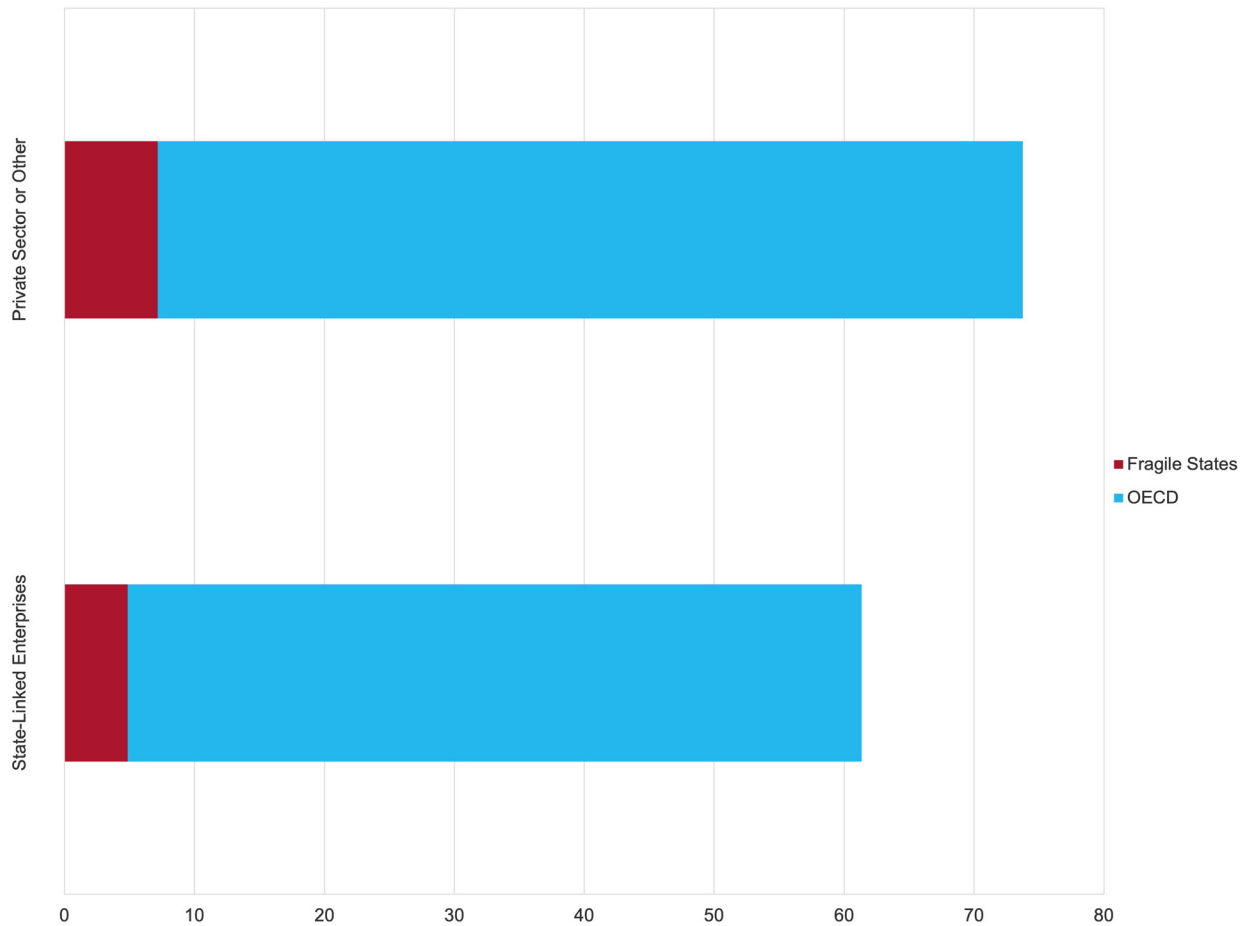
These investments generate several strategic outcomes for the UAE:

1. Supply chain integration: establishing positions within strategic industrial inputs.
2. Bilateral engagement: deepening economic interlinkages and diplomatic partnerships.
3. Economic diversification: expanding high-value, non-oil revenue streams under state coordination.
4. Strategic positioning: consolidating influence within global technological and industrial centers.

Taken together, the UAE's investment pattern reveals a coherent architecture of influence. State-linked entities serve as the operational core, deploying capital across infrastructure and technology ecosystems that reinforce one another across regions. In fragile contexts, the structure converts financial capacity into durable operational control and political leverage. In advanced economies, it embeds Emirati institutions within technological and industrial systems central to global competitiveness. Figure 8 illustrates this dual structure, showing how state-linked entities dominate investment flows across both fragile and OECD markets.

The result is a unified model of state-directed capital strategy: one that aligns commercial expansion and economic diversification with strategic reach, integrating the UAE into the material and digital foundations of global economic power. The next section examines how Saudi Arabia pursues a parallel, though distinct, model of outward investment.

Figure 8: UAE: State-Linked vs Private Investment: Fragile vs OECD, 2015-2025 (USD Billion)



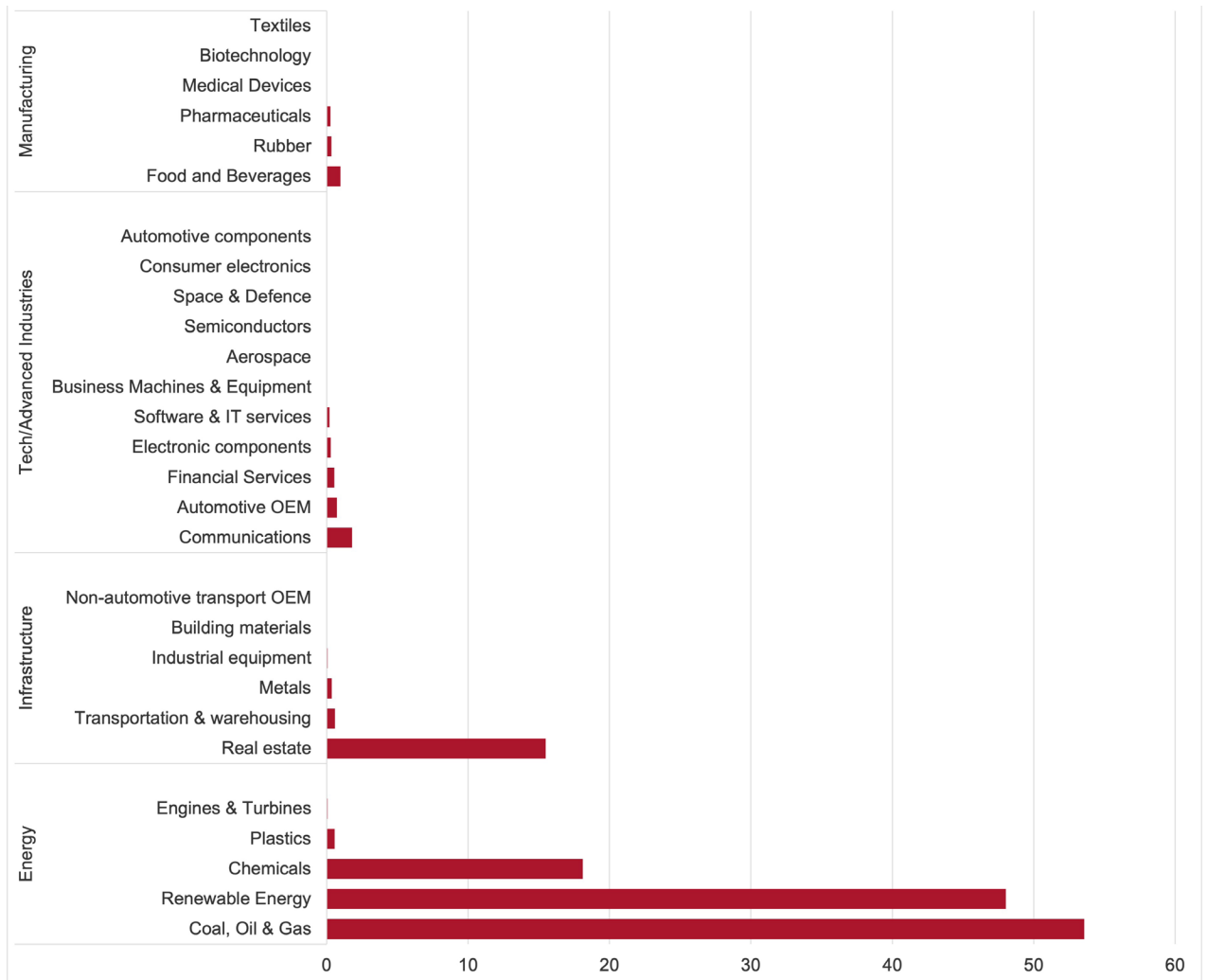
Sources: fDi Markets; and author calculations.

Case Analysis III: Saudi Energy Dominance and Global South Anchoring

Saudi Arabia's outbound investment strategy diverges fundamentally from the UAE capital deployment model. Riyadh concentrates on scaling its industrial energy footprint and deepening infrastructure partnerships with Global South and BRICS states, reflecting energy-centered statecraft backed by substantial sovereign capital resources. Between 2015 and 2025, Saudi Arabia deployed roughly \$147.5 billion across 26 sectors and 61 countries. Sectoral concentration underscores strategic continuity, with coal, oil, and gas accounting for \$53 billion, renewables for \$48 billion, chemicals for \$18 billion, and real estate for \$16 billion. Collectively, these four sectors comprise roughly 91 percent of total outbound FDI. Investment flows concentrate in midstream energy sectors that leverage Saudi Arabia's comparative advantage in export capabilities and extend its existing economic model.

Saudi FDI remains anchored in energy and industrial production, with relatively limited exposure to data-driven or technology-intensive domains. These areas are characterized by stringent data-governance and intellectual-property frameworks that tend to constrain foreign state participation more broadly, particularly for investors without preexisting operational networks in advanced markets. Figure 9 illustrates these dynamics, highlighting the energy-focused investment patterns that define Saudi Arabia's outward investment strategy.

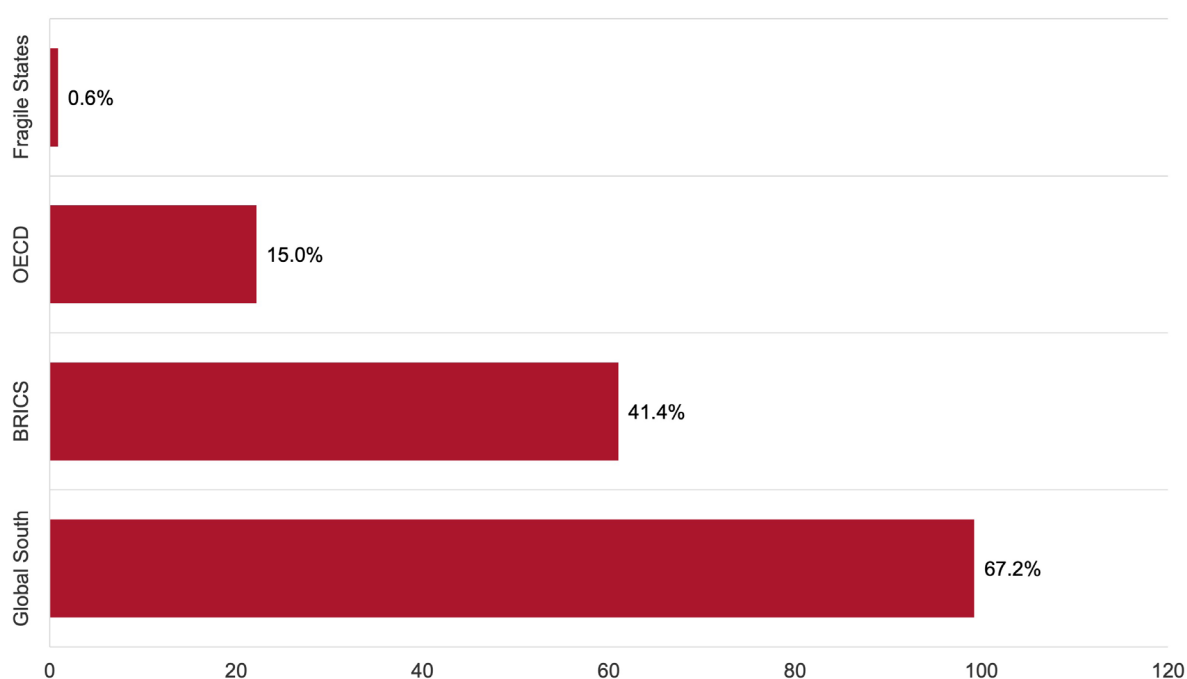
Figure 9: Saudi Arabia: Total FDI by Sector, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

Saudi capital flows predominantly to Global South markets, reflecting a clear preference for large, energy-importing economies across Asia and Africa. OECD destinations attract a modest share, while engagement with fragile states remains marginal. Figure 10 visualizes this outward allocation by bloc, illustrating Saudi Arabia's outbound FDI allocation by global bloc.

Figure 10: Saudi Share of Outbound FDI by Bloc, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

Note: Percentages represent FDI received as a percentage of total FDI 2015-2025.

Investment flows align with infrastructure demand and energy dependence. Top Global South recipients include Egypt, with \$25 billion in investment; China, \$20 billion; Pakistan, \$10 billion; Thailand, \$7 billion; and Indonesia, \$6.5 billion. These are demographically large, politically influential economies that remain structurally reliant on energy imports. Minimal engagement with fragile states, limited to Ethiopia, Iraq, Nigeria, Sudan, and Lebanon, collectively receiving under \$1 billion, suggests a deliberate avoidance of high-risk environments. Saudi FDI prioritizes scale and reliability over influence in volatile contexts.

An estimated 73 percent of total Saudi investment is channeled through state-linked entities, led by the Public Investment Fund (PIF), Aramco-linked subsidiaries, and state-affiliated holding companies. This centralized architecture reinforces state oversight of sectoral priorities and coordination across investment platforms.

Saudi investment in OECD countries, totaling \$22.2 billion, concentrates on chemicals, renewable energy, and transportation, with minimal exposure to technology-intensive domains such as semiconductors, AI, or cybersecurity. Saudi entities maintain focus on refining, plastics, and energy infrastructure, rather than

competing in advanced technology domains where UAE entities such as Mubadala and G42 have established positions. Engagement with BRICS economies follows similar sectoral concentration: China absorbs over \$20 billion in Saudi investment, primarily in hydrocarbons and chemicals, reinforcing long-standing energy trade partnerships and strengthening Saudi Arabia's role in global energy supply chains. Outbound investment serves as an extension of domestic industrial policy, consolidating the Kingdom's role in global energy markets, while building infrastructure partnerships across emerging middle powers.

While this energy-centered deployment model remains dominant through 2025, recent initiatives suggest potential inflection. These include the launch of HUMAIN, a national AI platform; a proposed \$40 billion AI fund with Andreessen Horowitz; and the creation of Alat, a \$100 billion capital fund targeting semiconductors, smart devices, and advanced industrials. Together, these developments signal a calibrated shift toward knowledge-intensive sectors.⁵ They establish institutional foundations that could enable Saudi Arabia to expand selectively into global technology sectors, potentially mirroring the UAE's diversified approach. Whether this reflects transitional diversification or a deeper structural reorientation remains analytically open.

Looking ahead, the fiscal space that supported Saudi Arabia's global investment surge is expected to narrow as the decade progresses. With its current account balance projected to move into deficit, Riyadh's capital deployment is likely to become more selective and domestically anchored, aligning with Vision 2030 priorities as major national projects reach completion.⁶ In contrast, the UAE's sustained current account surplus provides continued fiscal capacity for outward investment, reinforcing the durability of its globally diversified capital model.

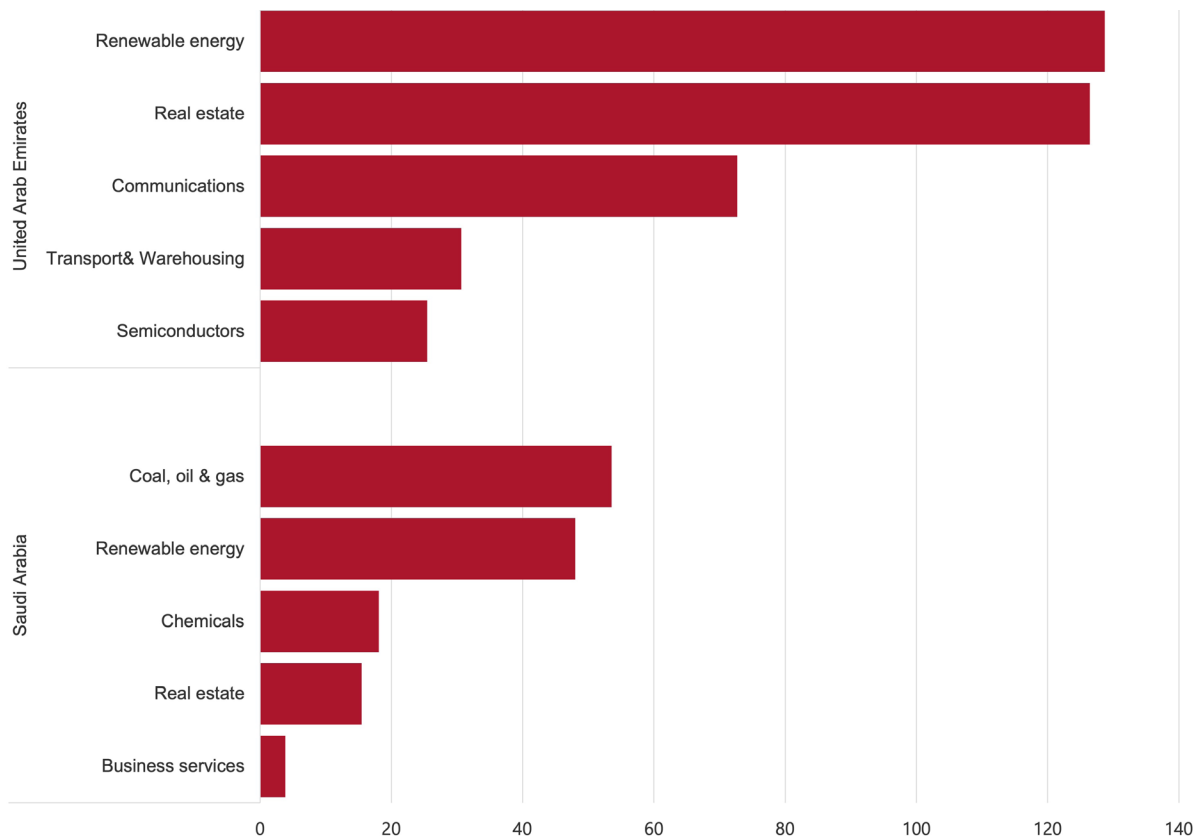
Divergent Architectures of GCC Capital

The UAE and Saudi Arabia deploy sovereign capital with shared ambitions: both seek leverage within the evolving global order while projecting post-oil power broker capabilities. Their approaches, however, diverge structurally. UAE capital operates through a dual-track logic: in fragile states, it concentrates on essential services and infrastructure assets that generate enduring market footholds, while

in advanced economies it pursues technology-intensive investments that embed access to innovation networks and global supply chains. This model combines diversification with selective concentration across strategic sectors. Roughly 43 percent of the UAE's outbound FDI is channeled through state-linked entities, notably Mubadala, ADQ, and G42, pursuing dual-purpose investments that serve both financial and geopolitical aims.

Saudi capital adopts a narrower model, concentrating on the Global South and BRICS, where the Kingdom functions as an energy and industrial project financier. Approximately 73 percent of outbound investment flows through state-linked entities, led by PIF and Aramco affiliates, with the majority of outbound FDI targeting coal, oil and gas, renewables, and chemicals. While recent initiatives such as Alat signal movement toward technology-driven sectors, the overall portfolio continues to privilege scale, reliability, and established energy linkages over diversified market integration. Figure 11 highlights sectoral distinctions between the two Gulf states.

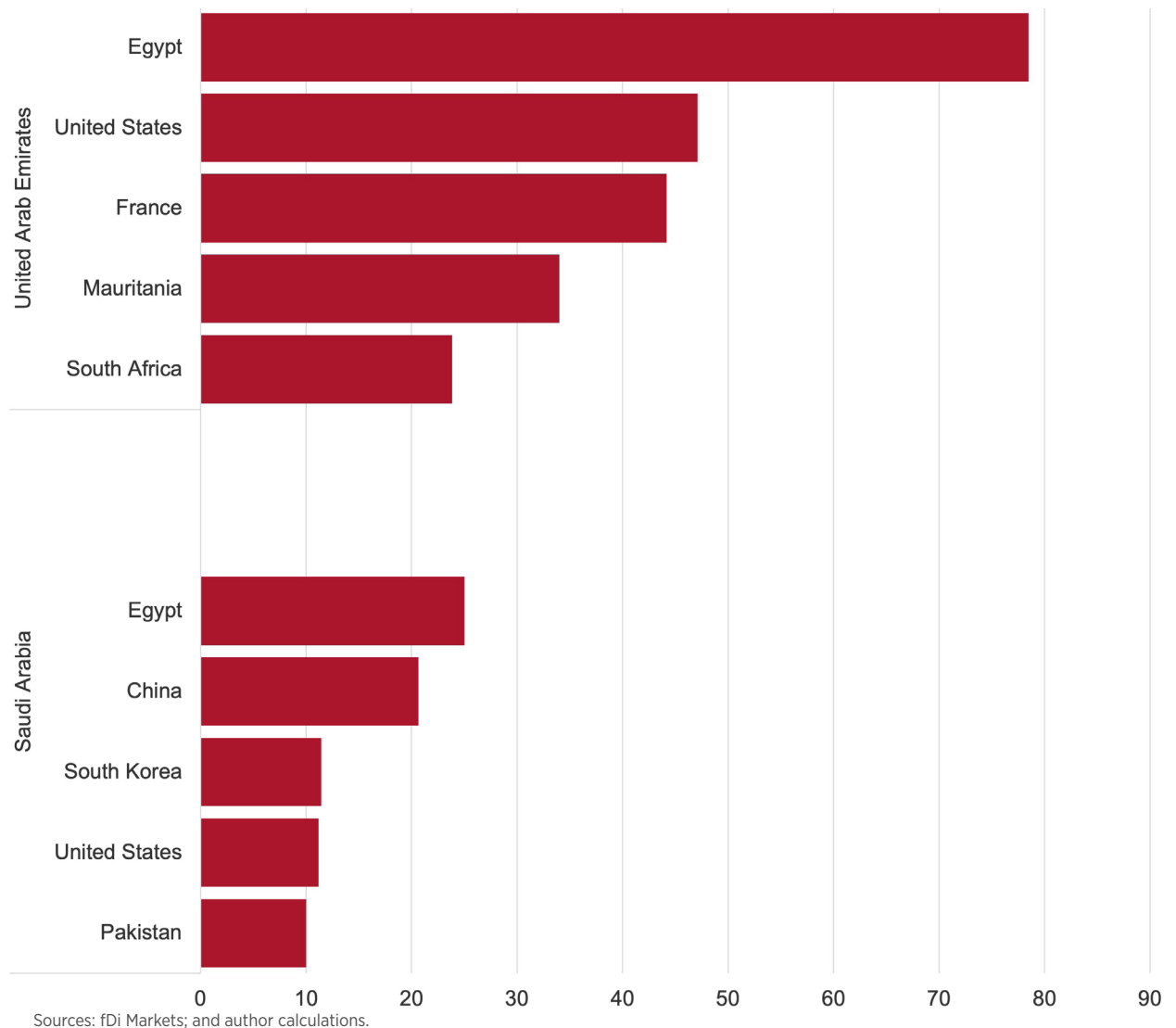
Figure 11: UAE vs. SAU: Top Sectoral Recipients, 2015-2025 (USD Billion)



Sources: fDi Markets; and author calculations.

The UAE's largest investment destination is Egypt, at \$78.5 billion, followed by the United States at \$47 billion, reflecting its dual strategy of anchoring in emerging markets while maintaining participation in advanced economies. Saudi capital concentrates on strategic Global South and BRICS markets, most notably Egypt, China, Pakistan, and Thailand, which serve as anchors for energy interdependence, industrial flows, and regional geopolitical alignment. Figure 12 illustrates this geographic divergence in capital disbursement between the UAE and Saudi Arabia.

Figure 12: UAE vs. SAU: Top Recipient States, 2015-2025 (USD Billion)



Fragile state investment patterns reveal distinct risk assessments. The UAE deployed approximately \$12 billion in fragile states across infrastructurally

strategic sectors that provide long-term operational footholds, whereas Saudi investment totaled under \$1 billion, concentrated in relatively stable contexts such as Iraq and Ethiopia. The divergence underscores the UAE's greater willingness to absorb political risk in pursuit of long-term strategic footholds, while Saudi Arabia maintains a more conservative approach that prioritizes scale and reliability over exposure to volatile markets.

Two Models of GCC Capital

This analysis reveals two distinct strategic models:

1. The UAE operates as a sovereign private equity actor: Leveraging equity mechanisms, entering competitive sectors, and scaling influence across fragile and advanced economies through diversified portfolio approaches.
2. Saudi Arabia functions as a sovereign energy financier: underwriting industrial and infrastructure projects within established energy value chains rather than entering volatile or technology-intensive markets.

Whether this represents structural or transitional positioning remains analytically significant. As Vision 2030 advances and PIF continues to evolve its investment strategy, Saudi Arabia may seek to pivot toward more strategic plays, including deeper technological insertion or selective engagement in fragile contexts, though fiscal tightening could temper the scale of outbound deployment. Current evidence suggests the GCC powers pursue distinct pathways through the international order, employing capital as both an economic and geopolitical vehicle for integration and influence projection.

By establishing financial stakes in systems that underpin regional security dynamics such as energy supply chains, reconstruction initiatives, and emerging technologies, the UAE and Saudi Arabia reduce their exposure to externally induced volatility while aligning with the structural incentives of global capital systems. Capital deployment functions as a form of statecraft that positions GCC sovereign actors as upstream participants in the institutional architecture of an evolving global order.

In this context, GCC sovereign capital has become a central channel of geopolitical engagement, operating in parallel to conventional diplomatic and security instruments. Rather than relying solely on traditional diplomatic or security tools, GCC states deploy capital to establish positions within critical economic systems. In fragile states, this means acquiring stakes in transportation facilities, distribution networks, and energy infrastructure that shape regional connectivity. In advanced economies, it involves securing positions within the technological foundations of modern strategic competition.

This dual-track model allows relatively small states to exercise sustained influence across divergent geopolitical contexts through economic integration rather than conventional alliance structures. This embeddedness generates new dynamics: recipient states access diversified partnerships while GCC actors gain influence over global economic architecture. Success depends on adaptive deployment, including infrastructure investments in fragile states, technological cooperation within advanced economies, consistently prioritizing integration within existing systems over attempts at dominance. Across both contexts, the strategy represents a recalibration of contemporary statecraft towards systemic integration within economic systems that underpin state capacity and global competitiveness.

Implications for Strategic Stability

This strategic use of capital creates both stabilizing interdependence and new forms of systemic risk. On one hand, economic integration generates mutual interests that incentivize the preservation of operational continuity. When UAE entities hold ownership or management stakes in critical infrastructure across multiple countries, disruption becomes costly for all parties, encouraging restraint during periods of political tension. This alignment between commercial incentives and political incentives can act as a deterrent to conflict and a mechanism for preserving regional equilibrium.

At the same time, concentrated dependencies can introduce strategic exposure points. When critical infrastructure is saturated with foreign investment, recipient governments may face heightened economic vulnerability and pressures for strategic coordination during geopolitical strain. Conversely, GCC states become susceptible to shifts in host-country regulation, political instability, or legal contestation that may compromise long-term asset security.

The challenge for strategic stability lies in managing these interdependencies through institutional safeguards rather than solely relying on market logic. Unlike traditional security dilemmas where escalation dynamics are driven by military capacity, economic interdependence offers the potential for positive-sum stability, but only if embedded risks are actively identified and mitigated. The policy question is how to design institutional frameworks that sustain stability while minimizing exposure to structural vulnerabilities.

Navigating Strategic Interdependence

The complexity of GCC sovereign capital deployment requires equally sophisticated policy responses, ones which recognize economic integration as a strategic variable rather than a commercial externality. Effective engagement depends on frameworks that preserve national autonomy while enabling beneficial investment.

Managing GCC sovereign capital effectively requires regulatory mechanisms attuned to its hybrid commercial-strategic nature. Traditional oversight models designed for either private investment or formal state-to-state agreements often fall short in responding to capital that blends market instruments with geopolitical objectives.

One effective approach involves developing structured partnership models that leverage GCC capital while ensuring appropriate regulatory safeguards. This requires moving beyond accept-or-reject frameworks toward calibrated mechanisms that distinguish between types of investments and their potential systemic impacts.

Implementation may include tiered review processes that differentiate between passive equity stakes and investments involving operational control over critical infrastructure. A key innovation involves cumulative impact assessments that trace how overlapping transactions generate systemic dependency, rather than reviewing deals in isolation.

One potential solution involves the creation of multi-stakeholder oversight platforms that bring together recipient governments, investing entities, and

multilateral institutions to establish shared governance norms for large-scale infrastructure projects. These platforms would enable greater transparency and predictability in how large-scale infrastructure investments are structured, operated, and evaluated over time.

Technology governance frameworks require particular focus. When GCC entities operate digital infrastructure in advanced economies, recipient sectors benefit from clear protocols covering data governance, cybersecurity oversight, and technology transfer conditions. Well-designed governance structures are ones that preserve host country control over critical infrastructure while enabling productive capital engagement.

For fragile states, the opportunity lies in broadening their engagement across multiple sources of capital, including GCC, multilateral lenders, and other regional actors, to optimize investment terms and strategic outcomes. Rather than accepting infrastructure proposals passively, governments can structure agreements to include provisions for technology transfer, local capacity development, and long-term revenue sharing.

Essential negotiation principles include maintaining regulatory authority, incorporating periodic renegotiation mechanisms, ensuring local labor inclusion, and designing financial structures that gradually shift value toward the recipient state over time.

Infrastructure co-financing provides another avenue for alignment. By combining GCC investment with resources from multilateral development banks and Western development finance institutions, recipient states can benefit from higher-quality infrastructure and improved governance standards.

In fragile contexts, structured capital alignment can help reduce governance volatility while reinforcing baseline standards for project execution and oversight. Diversified capital resources reduce single-provider exposure and increase state leverage in shaping investment terms and long-term conditionality. This model enables more competitive investment structuring while anchoring transactions within nationally defined priorities and strategic oversight frameworks.

For OECD states, this could include joint investment review mechanisms that facilitate coordination among allies when assessing GCC capital inflows into competitive sectors. Rather than fragmented national responses, such frameworks

could advance collective technological sovereignty while preserving mutually beneficial investment relationships.

Sector-specific collaboration offers one practical channel. Joint ventures between GCC sovereign wealth funds and Western technology firms can accelerate innovation while ensuring that critical capabilities remain within compatible governance frameworks.

GCC capital deployment creates new forms of strategic interaction, which can inherently produce zero-sum dynamics. With sophisticated policy frameworks, strategic competition can be structured to yield mutually beneficial outcomes and enhance global stability.

Conclusion

GCC sovereign capital deployment reflects a structural shift in how states project influence and shape global systems as the global order becomes increasingly multipolar. Through sustained investment in critical infrastructure, technological ecosystems, and industrial sectors, GCC actors have institutionalized capital as a primary instrument of strategic engagement. The states and institutions that develop frameworks capable of managing this evolving model; those that balance openness with oversight, and competition with stability, will be best positioned to navigate the emerging global order.

This will require moving beyond legacy approaches to foreign investment toward models that account for embedded influence, long-horizon strategic intent, and the hybrid nature of commercial-state capital. Strategic interdependence is not static; it demands institutional frameworks capable of evolving alongside GCC capital's sophistication, recipient state agency, and the shifting architecture of global competition.

The central task is not to contain this shift, but to engage it with sophistication. Partnership structures that harness GCC capital while ensuring accountability, transparency, and mutual benefit can reinforce strategic stability and support national development objectives. In a global system defined by economic interdependence, the capacity to manage capital flows as instruments of influence will shape the architecture of global power for decades to come.

Endnotes

- 1 "Fragile states" refer to countries classified under the World Bank's FY2026 Fragile and Conflict-Affected Situations (FCS) list.
- 2 Access to fDi Markets data was made possible through a research collaboration with Dr. Karen E. Young, as part of ongoing work supported by the Middle East Institute.
- 3 Author's classification of "state-linked" entities is based on publicly available information from company filings, ownership disclosures, and institutional reports. Figures reflect best-available estimates derived from fDi Markets data and supplementary cross-referencing with corporate and sovereign wealth fund documentation as of August 2025.
- 4 Eric Rosenbach et al. "Critical and Emerging Technologies Index," Belfer Center for Science and International Affairs, Harvard Kennedy School, June 2025, <https://www.belfercenter.org/critical-emerging-tech-index>.
- 5 "PIF launches HUMAIN to lead Saudi AI infrastructure and Arabic LLM development," Mena Bytes, May 12, 2025, <https://www.menabytes.com/pif-humain/>; "PIF and Andreessen Horowitz to possibly partner for \$40B AI fund," ITP.net, October 29, 2024, <https://www.itp.net/acn/ai-automation/pif-and-andressen-horowitz-to-possibly-partner-for-an-40-b-ai-fund-for-domestic-investments>; "Alat, a Company Created by the Public Investment Fund of Saudi Arabia, Has Become a Strategic Corporate Partner of EvoNexus," EvoNexus, December 20, 2024, <https://evonexus.org/news/alat-evonexus-strategic-corporate-sponsorship/>.
- 6 International Monetary Fund, World Economic Outlook Database (October 2025), Current Account Balance Percent of GDP, <https://www.imf.org/en/Publications/WEO>.



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