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Geo-economic Competition in the Digital Economy of the Persian Gulf: A Case Study of Saudi Arabia and the United Arab Emirates

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Extended Abstract

The rapid expansion of the digital economy has fundamentally transformed the nature of economic power and competition in the international system, particularly in regions seeking to reduce structural dependence on traditional resources. In the Persian Gulf, the digital economy has increasingly become a strategic domain through which states pursue economic diversification, enhance competitiveness, and project geo-economic influence. Among the Gulf Cooperation Council (GCC) members, Saudi Arabia and the United Arab Emirates have emerged as the two most prominent actors in shaping the regional digital landscape. Their ambitious national visions and large-scale investments in digital infrastructure, innovation ecosystems, and advanced technologies have turned the digital economy into a key arena of geo-economic com-

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petition between them.

This emerging competition is deeply embedded in each country's broader development strategy. Saudi Arabia's Vision 2030 places the digital economy at the core of its efforts to transform the Kingdom into a diversified, knowledge-based economy. Massive investments in data centers, cloud computing, artificial intelligence, fintech, and e-government platforms are intended not only to modernize domestic economic structures, but also to position Saudi Arabia as a regional digital hub linking Asia, Europe, and Africa. Projects such as NEOM and the rapid expansion of digital public services signal Riyadh's ambition to leverage scale, state capacity, and regulatory power to attract global technology firms and foster indigenous digital capabilities.

By contrast, the United Arab Emirates has pursued a more market-driven and globally integrated digital strategy, building on its early-mover advantages in logistics, finance, and services. Through initiatives such as Smart Dubai, digital free zones, and progressive regulatory frameworks for fintech, blockchain, and artificial intelligence, the UAE has cultivated an innovation-friendly environment that appeals to international investors, startups, and multinational technology companies. Its emphasis on agility, openness, and public-private partnerships has enabled it to consolidate its position as a regional gateway for digital trade and services, reinforcing its geo-economic influence despite a smaller domestic market compared to Saudi Arabia.

Taken together, the digital economy has become a central arena of strategic rivalry between Saudi Arabia and the UAE, reflecting broader shifts in power, competitiveness, and economic governance within the Gulf. While their competition has accelerated regional digital transformation and reduced reliance on hydrocarbons, it also highlights diverging models of state-led versus market-oriented digital development. The outcome of this rivalry will not only shape the future economic trajectories of the two countries, but also influence the structure of the digital economy across the Persian Gulf and the wider Middle East.

This study examines how the digital economy has evolved into a field of geo-economic rivalry between Saudi Arabia and the United Arab Emirates and analyzes the similarities and differences in their strategic approaches. The central argument of the research is that while both countries share the common

objective of attaining regional leadership in the digital economy, their distinct political-economic structures, market capacities, and governance models have produced divergent strategic pathways and comparative advantages. The UAE has largely pursued an open and network-based strategy, emphasizing regulatory flexibility, international partnerships, foreign direct investment, and the development of digital service hubs. Saudi Arabia, by contrast, has adopted a more state-centered and domestically oriented strategy, relying on large-scale public investment, national champions, and technology localization policies supported by its substantial domestic market.

Methodologically, the study employs a comparative analytical framework to assess the digital economy strategies of the two countries across key indicators, including digital competitiveness, investment in information and communication technologies, innovation capacity, and the contribution of the digital sector to gross domestic product. By drawing on official policy documents, international indices, and economic data, the research provides a systematic comparison of how each state operationalizes digital transformation as a tool of geo-economic power.

The findings suggest that this competition has reshaped economic roles and hierarchies within the Persian Gulf region. The UAE has consolidated its position as a regional hub for digital services, fintech, and platform-based economies, while Saudi Arabia has leveraged scale, state capacity, and long-term investment to build a more self-reliant digital ecosystem. Beyond bilateral rivalry, this dynamic illustrates a broader transformation in geo-economic competition, in which digital technologies function as strategic instruments of influence, shaping patterns of regional integration, economic dependency, and power projection in the Gulf and beyond.

The findings of this study indicate that geo-economic competition in the digital economy has significantly reshaped economic roles and strategic priorities within the Persian Gulf. Rather than following a uniform model of digital transformation, Saudi Arabia and the United Arab Emirates have institutionalized distinct development paths that reflect their broader political-economic structures. This divergence has intensified competition over regional leadership, digital standard-setting, and the attraction of capital, talent, and innovation, there-

by redefining the contours of economic influence in the Gulf region.

At the national level, the UAE has strengthened its position as a regional hub for digital services, fintech, artificial intelligence, and platform-based economies by emphasizing openness, regulatory agility, and global connectivity. Its integration into international digital networks has enabled the country to act as an intermediary between global technology markets and the Middle East. Saudi Arabia, in contrast, has leveraged its demographic scale, fiscal capacity, and centralized governance to construct a more state-driven and domestically anchored digital ecosystem, prioritizing national digital champions, data sovereignty, and long-term technological self-sufficiency.

At the regional and systemic levels, this evolving rivalry illustrates a broader transformation in geo-economic competition, in which digital technologies have become central instruments of power projection and economic statecraft. The competition between Saudi Arabia and the UAE not only influences patterns of regional integration and economic dependency but also shapes the future governance of the digital economy in the Persian Gulf. As such, the digital domain has emerged as a critical arena in which economic diversification, strategic autonomy, and regional leadership are actively contested.

Key words: Digital economy, globalization, Arab Middle East, economy.

Conflict of Interest

The authors declare that there is no conflict of interest in conducting this research study.