

MENA 2025 OUTLOOK

Insights from leading experts on key trends shaping the region



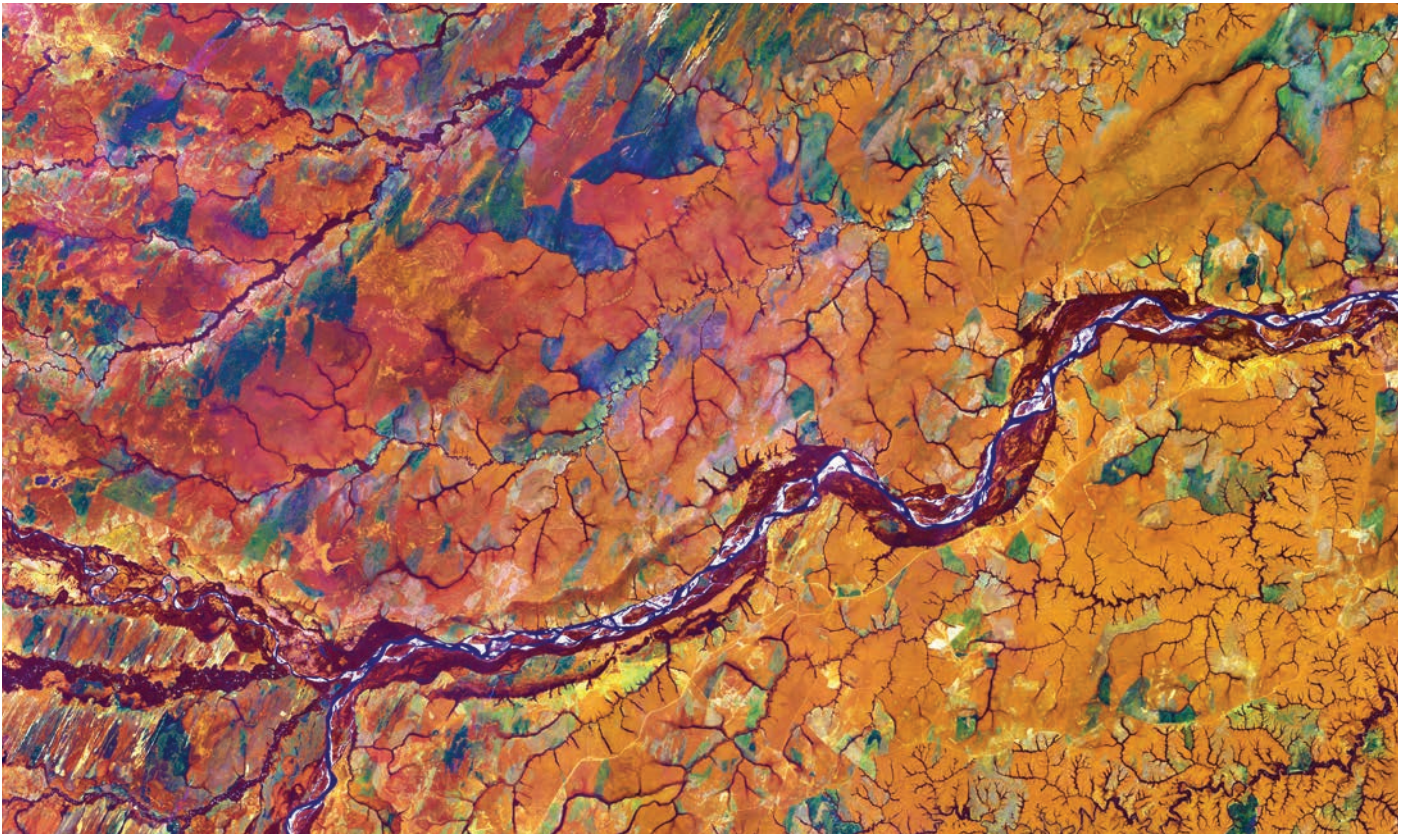
Table of Contents

4	INTRODUCTION
5	ENERGY: THE IMPACT OF TRUMP 2.0
6	Bob McNally – Founder and President of Rapidan Energy Group, former Special Assistant to US President George W Bush, and former Senior Director for International Energy on the National Security Council.
8	Dr Aisha Al-Sarihi – Research Fellow at the National University of Singapore's Middle East Institute.
9	Dr Sara Vakhshouri – Founder and President of SVB Energy International, and Director for the IWP Centre for Energy Security and Energy Diplomacy.
11	GLOBAL SUPPLY CHAINS: CHALLENGES AND OPPORTUNITIES
12	Ousmane Dione – World Bank Vice-President for the MENA region; and Paul Noumba Um – Regional Director of the World Bank's Infrastructure Department in the MENA region.
14	Dr Mahmoud Mohieldin – The UN Special Envoy for Financing the 2030 Sustainable Development Agenda.
15	Dr Mark Thompson – Senior Research Fellow and Head of Socioeconomics Programme, King Faisal Center for Research and Islamic Studies.
17	ARTIFICIAL INTELLIGENCE: SEIZE THE DAY
17	His Excellency Dr Munir Eldesouki – President of King Abdulaziz City for Science and Technology (KACST) – Special Contribution on Championing AI Innovation.
19	Abdoul Aziz Wane – Director of the International Monetary Fund (IMF) regional office in Saudi Arabia.
21	Dr Ahmad Al Yamani – CEO and Member of the Board of Directors at Takamol.
23	Dr Basma AlBuhairan – Managing Director, World Economic Forum Affiliate Centre for the Fourth Industrial Revolution Saudi Arabia (C4IR).
25	Bilal Y. Saab – Senior Managing Director of TRENDS US, Associate Fellow with Chatham House, and Adjunct Professor with Georgetown University.
27	Dr Aseel Addawood – Head of AI EMEA at Oracle.



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Introduction

The year 2025 promises to be a pivotal one for the Middle East and North Africa (MENA), marked by significant developments across various sectors. SRMG Think's *MENA Outlook 2025* report considers the critical issues and trends that are expected to shape the region's future. Drawing on insights from leading experts, the report provides a comprehensive analysis of the key themes that will influence MENA's economic, political, and social landscapes in the coming year.

This year has been marked by dramatic geopolitical events in the region. The war in Gaza has escalated, causing widespread devastation and drawing international concern. In Lebanon, a fragile ceasefire between Israel and Hezbollah has brought a tentative peace, though tensions remain high. The fall of Bashar al-Assad's regime in Syria has led to significant shifts in regional power dynamics, opening the door for new political forces.

Looking ahead, the re-election of Donald Trump as President of the United States (US) is anticipated to have profound implications for global energy markets, particularly for the MENA region. Contributors explore how Trump's policies, including deregulation and a focus on domestic energy production, could impact MENA oil producers. This section also examines the potential rollback of environmental regulations and its impact on the Inflation Reduction Act, and how these could alter the dynamics of the global energy transition.

The COVID-19 pandemic, coupled with geopolitical tensions, has exposed the vulnerabilities of global supply chains. Our contributors discuss the strategies that MENA countries are adopting to enhance supply chain resilience, including diversifying supply sources, investing in local production, and leveraging the region's strategic geographic location to become a key logistics hub. The contributions highlight the importance of



regional trade and investment integration in supporting economic growth amid rising geopolitical tensions.

Artificial Intelligence (AI) is set to revolutionise many sectors within MENA, from finance to healthcare. The discussion highlights the region's advancements in AI and the challenges and opportunities it presents, including the role of AI in reshaping labour markets. Contributors also address the ethical considerations and regulatory frameworks needed to harness AI's potential. Notably, this section features a special contribution on the theme of AI innovation in Saudi Arabia and across the region from His Excellency Dr Munir Eldesouki, President of King Abdulaziz City for Science and Technology.

The insights provided by the external experts featured in this report offer a nuanced understanding of the critical issues and trends that will impact the region in 2025, and we are grateful to them for sharing their valuable perspectives with us. SRMG Think's *MENA Outlook 2025* is an essential resource for anyone invested in the future of the region.



Energy: The Impact of Trump 2.0

Historically, the energy policies of the US have had a profound impact on global markets. The 1973 oil embargo, for instance, highlighted the vulnerability of global energy supplies and led to significant shifts in countries' energy policies and market dynamics. The US response included establishing its strategic petroleum reserve and increasing domestic production, which influenced global oil prices and energy security strategies worldwide. Similarly, the shale revolution in the early 21st century, driven by advancements in hydraulic fracturing and horizontal drilling, transformed the US into a leading oil and gas producer, affecting global energy prices and reducing reliance on Middle Eastern oil.



Donald Trump's re-election as President of the US is poised to have significant impacts on global energy markets, policies, and prices. His administration's focus on deregulation and increased domestic energy production is expected to shift the dynamics of the energy sector. In terms of policy, the Trump White House is likely to roll back many of the environmental regulations implemented during Joe Biden's administration. This includes withdrawing from international climate agreements and reducing support for renewable energy initiatives. In addition, Trump's policies on trade and tariffs could impact global supply chains, energy prices and the pace of the US energy transition.



Bob McNally

Founder and President of Rapidan Energy Group, former Special Assistant to US President George W Bush, and former Senior Director for International Energy on the National Security Council.

How will Trump's "drill, baby, drill" policy impact global oil markets, and what are the likely repercussions for MENA? Additionally, what could this mean for the pace of the global energy transition?

President Trump's "drill, baby, drill" policy will vastly improve the regulatory and policy environment for US oil and gas investment and exports in the longer term. However, in the near term, no president can meaningfully



increase oil and gas production beyond what is already likely due to prevailing market conditions and oil company plans. Unlike Saudi Arabia, the United Arab Emirates (UAE), and some other OPEC+ producers, the US oil industry does not hold “spare capacity” or quickly producible oil capacity held offline for market management purposes.

Therefore, MENA oil producers need not worry about a significant boost in US oil production that would threaten their market share in the coming years. However, US production and higher output from Canada, Brazil, Guyana, and other producers are growing.

These new oil supplies combined threaten to more than offset incremental global oil demand growth, which would require MENA producers to continue restraining supply and cede market share to keep oil prices stable. So even if the US can’t “turn on the taps,” MENA oil producers may have their hands full managing excess supply growth from several competitors in the coming years. If OPEC+ refuses to restrain supply, the resulting crude oil price drop will hurt US shale growth first and foremost due to its relatively high operating costs.

Finally, and relatedly, the most significant impact President Trump will have on oil markets in the near term will be through his sanctions policy towards major exporters, principally Iran but also possibly Russia, Iraq, and Venezuela.

Regarding Iran, President Trump will prioritise reimposing economic pressure on Iran by pressuring China to stop importing the bulk of Iran’s 1.5 million barrels per day of crude exports. Trump intends to use sanctions as leverage on talks towards a comprehensive deal that would include Tehran’s nuclear activities, support for regional terrorism, and support for Russia’s aggression against Ukraine. Should talks fail, the odds of a military conflict would rise, with ominous implications for the geopolitical stability of MENA.



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Dr Aisha Al-Sarihi

Research Fellow at the National University of Singapore's Middle East Institute.

What will Donald Trump's presidential election victory mean for the Democrats' flagship Inflation Reduction Act (IRA)? What will be the likely impact on the pace of the global energy transition?

Newly elected President Trump has vowed to dismantle the IRA, a cornerstone of the Biden administration aimed at incentivising domestic manufacturing and containing inflation. Trump's proposed policies include imposing a 60% tariff on Chinese imports and increasing universal tariffs across-the-board on imports.

As per its name, the IRA's purpose is to reduce inflation, yet higher tariffs risk exacerbating inflation by passing increased production costs onto consumers and businesses. The implications for US clean energy manufacturers are particularly concerning. Many of these businesses rely on globally intertwined supply chains including China. Higher tariffs would increase production costs and delay projects, undermining their ability to compete both domestically and internationally.

Preventing China's clean energy technology penetration to the US market will not stop its rapid penetration in other markets, especially low- and middle-income economies such as the Gulf, South-east Asia, Latin America, and Central Asia.

While Trump is expected to withdraw the US from the Paris Agreement, as he did during his previous term, this move is unlikely to derail the global energy transition. Clean energy advancements have gained unstoppable momentum, driven by commitments from countries and businesses worldwide. Trump's policies reversing the IRA will only harm clean energy manufacturers in the US, undermining its influence in shaping this transition.



A key question remains: can Trump fully reverse the IRA, given the fact that Republican districts have received over 80% of the manufacturing investments under the IRA? This reality could lead to resistance within Trump's own party, as Republican representatives may be reluctant to jeopardize economic benefits within their constituencies.



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Dr Aisha Al-Sarihi



Dr Sara Vakhshouri

Founder and President of SVB Energy International, and Director for the IWP Centre for Energy Security and Energy Diplomacy.

How would a rollback on clean energy regulations and the introduction of further tariffs on clean technologies and equipment impact competition with China - and does this create opportunities for MENA?

The energy industry in the US is undergoing significant shifts following the election of Donald Trump, with a strong focus on energy security, affordability, and reliability. Chris Wright, the Secretary of Energy nominee, is a pragmatic figure with a background in fossil fuels, renewable energy, and nuclear power, who is likely to take a practical, market-driven approach to US energy policy. Under Wright's leadership, the Department of Energy is expected to prioritise domestic energy production and energy security while balancing the needs of emerging technologies, such as data centres and AI.

Energy security will remain a top priority, especially as energy-intensive industries like data centres require reliable and secure energy sources. As the demand for high-performance computing grows, ensuring stable energy supplies will be essential for both critical infrastructure and technology development. Wright's approach will emphasise ensuring the US can meet these rising energy demands, alongside the broader need to power American households and businesses.

The Trump administration is likely to shift away from the Biden administration's environmental mandates, such as incentivising Electric Vehicle (EV) adoption and emissions reduction. Instead, the focus will shift towards energy supply reliability, economic growth, and achieving energy independence.



The administration is likely to continue investing in nuclear power, hydrogen production, and the renewable energy supply chain, but with an emphasis on economic viability and national energy independence. The Trump administration will further incentivise shale oil and gas production by reducing regulations, and particularly environmental costs, on producers and promoting drilling in federal lands. This policy is designed to enhance domestic energy production and boost energy independence and economic growth through increased oil and gas output.

However, since the COVID-19 pandemic, US shale oil and gas producers have adopted strict capital discipline, with production decisions influenced by production costs vs. market conditions and prices, rather than simply ramping up supply.

President-elect Donald Trump's announcement of establishing a National Energy Council (NEC) at the White House underscores the critical need for a more systematic and balanced approach to energy decision-making. By centralising oversight, the NEC aims to prevent energy policies from being overly influenced by narrow interests. Instead, it seeks to ensure that decisions are guided by the broader US energy and national interest, fostering collaboration, long-term planning, and consistent strategies that benefit the country as a whole.

Overall, the US energy sector will continue to grow, with a clear focus on energy security, reliability, affordability, and economic competitiveness, under the Trump administration.





Global Supply Chains: Challenges and Opportunities

The COVID-19 pandemic, the Russia–Ukraine war, and the Gaza conflict have significantly disrupted logistics and exposed the fragility of global supply chains. In response, countries are adapting their production and trade strategies by diversifying supply sources; increasing local production; investing in supply chain technologies to enhance resilience and reduce dependency on single sources; and pursuing friend-and-near-shoring approaches.

Friend-shoring involves relocating production and supply chains to countries that share similar political and economic values, thereby minimising geopolitical risks. The strategy has gained traction as nations seek to reduce dependency on politically unstable regions. For instance, the US has been changing some of its supply chains from China to allied countries like Mexico and Canada. Near-shoring, on the other hand, focuses on moving production closer to the home market. This approach helps reduce transportation costs, improve delivery times, minimise environmental impacts, and enhance overall supply chain efficiency and responsiveness to demand changes.

In the Middle East, supply chain shifts present both challenges and opportunities. Countries in the region are leveraging their strategic geographic location to become key logistics hubs, facilitating trade between Asia, Europe, and Africa. Investments in infrastructure, such as ports and free-trade zones, are enhancing their capacity to handle increased trade volumes. Additionally, the Middle East is focusing on localising supply chains by boosting domestic production capabilities in sectors like food, pharmaceuticals, and technology. By embracing these strategies, Middle Eastern countries can strengthen their economic resilience and play a pivotal role in the evolving global supply chain landscape.



Ousmane Dione

World Bank Vice-President for the MENA region.

Paul Noumba Um

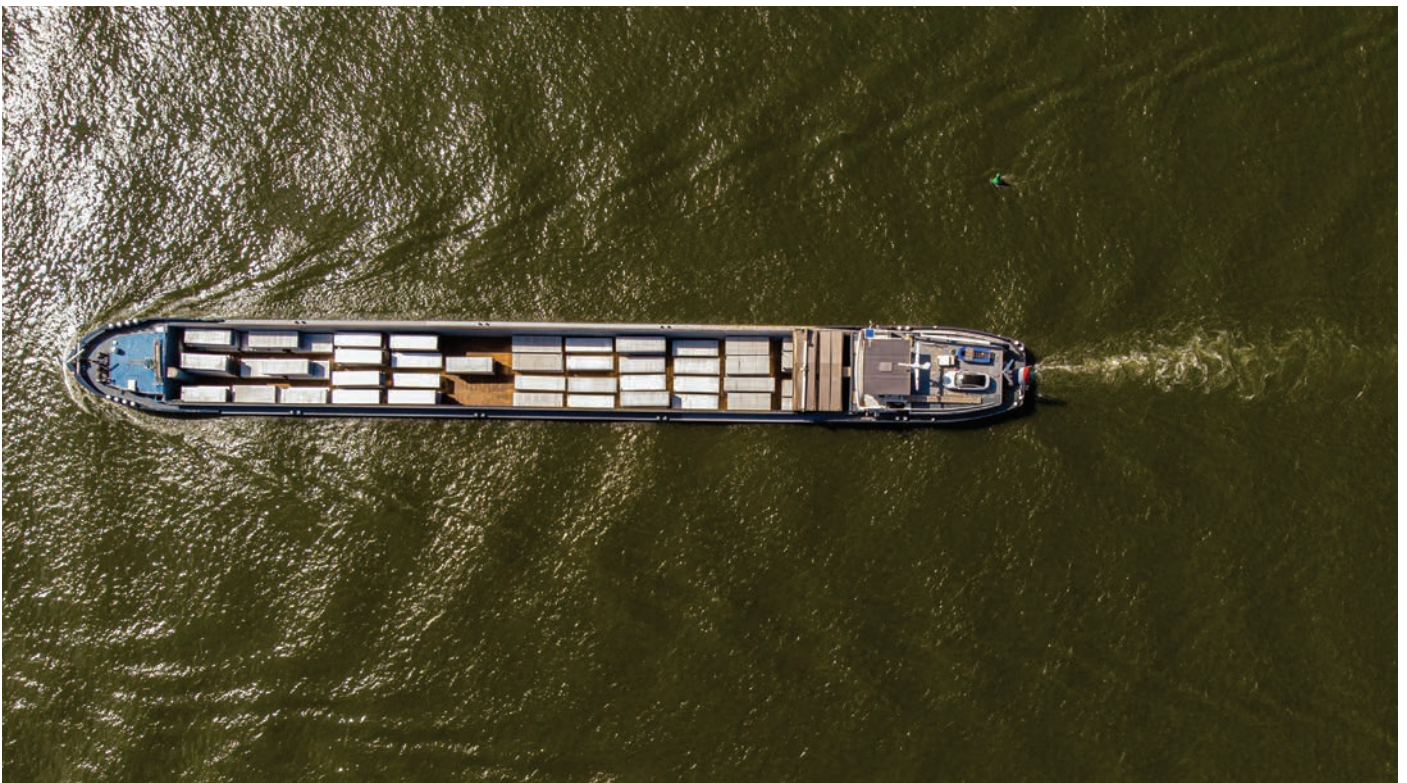
Regional Director of the World Bank's Infrastructure Department in the MENA region.

How can MENA countries enhance the resilience and efficiency of energy supply chains across the region? What is the World Bank's role?

A secure, affordable, and accessible supply of electricity is vital to ensure both sustainable economic growth and social stability, especially as climate change brings rising temperatures, water shortages, and severe weather events across the region. Resilient energy supplies are imperative for the MENA region to prosper and withstand environmental changes.

The Pan Arab Electricity Market (PAEM) is a transformative initiative aimed at integrating the power systems of Arab countries to create a regional electricity market among the members of the League of Arab States (LAS). Formalised in 2017, the initiative reached a significant milestone on 2 December 2024, when LAS members signed the market agreements in Cairo. This development paves the way for expanded electricity trade and enhanced cooperation within and beyond the region. With the ratification of PAEM's governance agreements, the focus in 2025 and beyond will shift to advancing the market design, promoting operation and trade, and removing trade barriers through harmonising technical and market rules.

The MENA region, often seen as one of the least integrated areas globally, holds immense potential for regional cooperation and trade, especially in the energy sector. Establishing the PAEM could transform MENA's





Dr Mark Thompson

Senior Research Fellow and Head of Socioeconomics Programme, King Faisal Center for Research and Islamic Studies.

Will the restructuring of global supply chains offer new opportunities for Saudi Arabia? How can the private sector leverage this momentum and what should governments do?

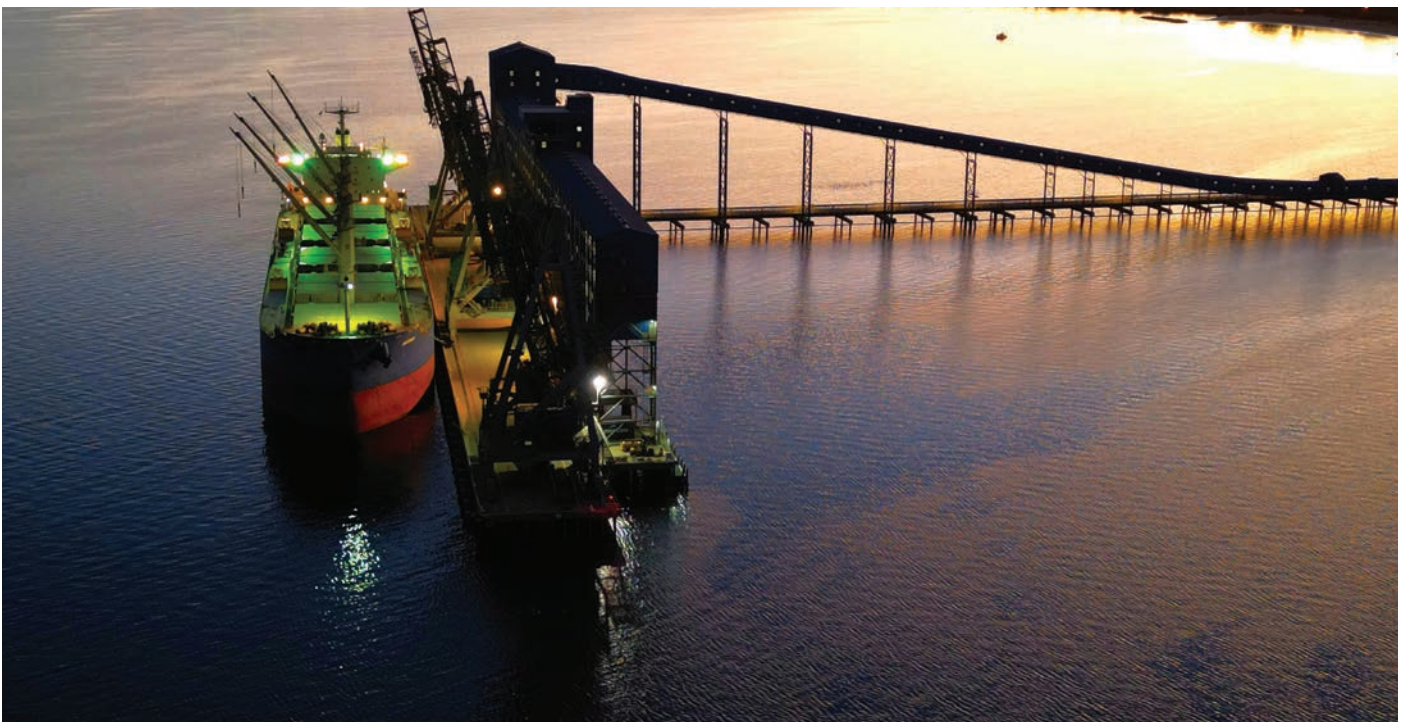
The restructuring of global supply chains offers exciting new opportunities for Saudi Arabia, which aims to position itself as a major global and regional logistics hub.

Private Sector

Currently, private sector stakeholders utilise various government support mechanisms, such as the Human Resources Development Fund. However, they identify regulatory reform as critical to overcoming barriers and enhancing the overall investment climate.

In terms of infrastructure and competitiveness, the significance of ongoing infrastructure development, such as the expansion of ports, airports, and logistics zones, is enhancing the Saudi private sector's competitiveness. However, there is a need for human capability development to ensure that infrastructural investments are appropriately leveraged.

Private sector stakeholders report significant skill gaps that create barriers to sectoral growth and the adoption of advanced technologies. This includes a shortage of specialised skills in logistics management, supply chain optimisation, and technology integration. Private sector companies face challenges in addressing their training needs while balancing the immediate need for skilled labour and the long-term goal of workforce localisation. Many rely on in-house training programmes, external partnerships, and government support mechanisms to bridge these gaps.





Public Sector

Interaction and engagement between government entities has significantly improved under Vision 2030 reforms, and institutional dialogue has been enhanced by the whole-of-government approach adopted to sectoral development. Furthermore, the logistics sector has seen significant growth and transformation due to Vision 2030 initiatives, which aim to diversify the economy and enhance infrastructure. Key programmes, such as the National Industrial Development and Logistics Programme and the Human Capital Development Programme, have driven these changes.

Human capital development (HCD) is viewed as a central concern in driving the strategic developmental objectives under Vision 2030. Workforce localisation also plays a distinctive role, as a means of sustainability and popular engagement. Still, government entities face significant challenges, including gaps in data and feedback mechanisms, which hinder the effectiveness of HCD initiatives. There is also a pressing need for accurate and comprehensive data to inform policy and programme design.



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Dr Mark Thompson





Artificial Intelligence: Seize the Day

AI is reshaping global labour markets, offering both opportunities and challenges. AI automates tasks and boosts productivity, which leads to shifts in employment patterns, as well as changes in income and wealth distribution. While it creates new job categories, it also risks displacing jobs, especially those involving repetitive tasks. Those unable to adapt may fall behind, increasing income inequality. Sectors like manufacturing, logistics, and customer services are seeing increased automation, reducing demand for human labour.

However, AI also creates demand for new skills and roles, such as AI specialists and data analysts, highlighting the need for workforce reskilling. By investing in education and training, countries can build resilient workforces ready to thrive in the digital economy.

His Excellency Dr Munir Eldesouki

President of King Abdulaziz City for Science and Technology (KACST) – Special Contribution on Championing AI Innovation.

How are leading countries within the MENA region driving innovation across key sectors?

The MENA region is rapidly emerging as a hub for AI innovation, with countries like Saudi Arabia, the UAE, Egypt, and Qatar leading ambitious digital transformation agendas. Saudi Arabia's Vision 2030 framework exemplifies this commitment, with groundbreaking projects like NEOM and the Seha Virtual Hospital showcasing AI's transformative potential in urban planning and healthcare. The Seha Virtual Hospital leverages AI-driven diagnostics, predictive analytics, and real-time monitoring to provide specialised care across the Kingdom, ensuring accessibility for underserved areas.

Across the region, the UAE's comprehensive AI strategy and Egypt's Digital Egypt initiative highlight similar ambitions, integrating AI into sectors like education, public administration, and infrastructure. Qatar, through the Qatar Computing Research Institute, is advancing Arabic language processing and AI applications in energy and healthcare. Investments in startups and partnerships with global tech firms are bolstering AI ecosystems, while organisations like The Garage and King Abdullah University of Science and Technology (KAUST)'s TAQADAM accelerator in Saudi Arabia foster AI-focused entrepreneurship.

Despite challenges like talent shortages and infrastructure gaps, the MENA region is well-positioned to leverage AI for economic diversification and social impact. Through collaborative efforts and a focus on innovation, the region continues to drive technological advancements that promise to redefine industries.

How is Saudi Arabia preparing to lead in the AI era, and what measures are being taken to ensure this transformation complements its human capital development?

Saudi Arabia has positioned itself as a regional AI leader through a multi-faceted approach encompassing infrastructure development, human capital investment, and ethical AI adoption. Organisations like the Saudi Data and Artificial Intelligence Authority are pivotal in this transformation, with initiatives such as the National Data Bank enabling streamlined access to vast datasets. High-performance infrastructure, including 5G networks and cloud computing, supports large-scale AI applications in projects like NEOM and Riyadh's smart city transformation.

The Kingdom's investment in education and research ensures AI complements rather than disrupts its workforce. Programmes at KAUST, KACST, and King Fahd University of Petroleum and Minerals focus on upskilling Saudi professionals and nurturing homegrown talent in AI-driven fields. National labs collaborate with global leaders, fostering innovation in robotics, natural language processing, and smart city solutions tailored to local needs.



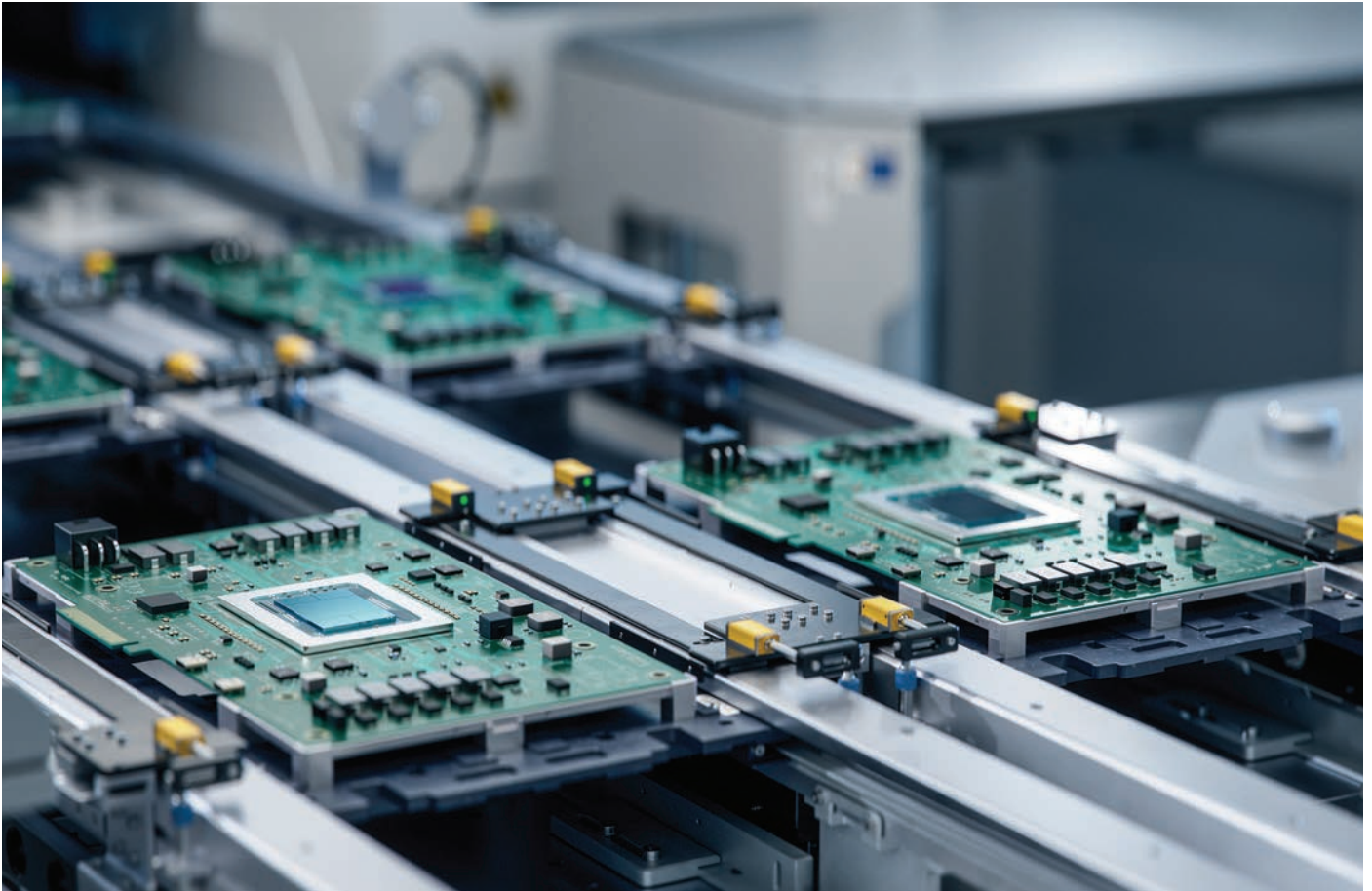
By aligning AI with workforce development, Saudi Arabia mitigates concerns about job displacement while driving economic diversification. This strategy reflects a balanced approach where AI is not a substitute for human capital but a catalyst for creating new opportunities, reinforcing the Kingdom's vision of sustainable growth under Vision 2030.



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His Excellency Dr Munir Eldesouki





For the remainder of the MENAP (Middle East, North Africa, Afghanistan, and Pakistan) region, foundational infrastructural development and building a digitally skilled labour force are paramount. Tax policy should avoid taxing AI in ways that could stifle productivity and reconsider corporate tax incentives that promote labour displacement. Unemployment insurance and labour market programmes should support transitioning workers, while education and training should build the skills needed to meet future demands.

Other expenditure policy should prioritise fundamental research, infrastructure, and public sector applications to enable equitable growth.⁷ On the financial sector side, AI may necessitate additional policy responses by reviewing circuit breakers and margining practices for AI-driven price movements, enhancing monitoring of large traders, bolstering risk mapping of dependencies on data and technology, and defining critical AI service providers and improving cyber resilience. Regulators and supervisors should also ensure market integrity and efficiency as AI use expands.

⁷ Brollo et al, "Broadening the Gains from Generative AI: The Role of Fiscal Policies." IMF Staff Discussion Note SDN2024/002, (Washington, DC: International Monetary Fund, 2024).



Saudi Arabia has also taken steps to ensure that AI works for humans, not against them. The Kingdom has set up the International Centre for AI Research and Ethics in Riyadh to drive AI development while keeping ethics at the forefront. Saudi Arabia's top priority is to enhance talent, not replace it. To make this vision a reality, the Kingdom is training over 20,000 AI and data specialists by 2030 and investing in STEM education, AI-focused degree programmes, and lifelong learning opportunities for technology. The Kingdom's focus on upskilling combines human expertise with AI capabilities, preventing any disruptions in the skills demanded.



The integrated platforms that enable the entire Saudi government, economy and society today make it very effective to harness AI power for unleashing economic value for the private sector.

Dr Ahmad Al Yamani





Does the deployment of AI risk undermining progress made in developing Saudi Arabia's human capital?

Chomsky's concern about machine learning degrading our science and debasing our ethics is about AI replacing human capabilities in creativity and expression, science and art, education, and the workplace. The Kingdom has set an overarching goal of establishing a reserve of 20,000 AI and data experts, including 5,000 highly qualified AI scientists.¹³ Programmes launched this year have targeted one million AI skills trainees by 2030.

In this context, some jobs will disappear while others emerge, and some skill sets will have limited lifespans as new skills arise. The World Economic Forum has listed curiosity, creative thinking, empathy, and resilience as the top core skills for workers in 2023. Empathy, imagination, and teamwork are human capabilities that enable workers to adapt to high-tech environments. Saudi Arabia's Human Capability Development Programme prioritises future skills, including higher-order thinking, social and emotional intelligence, and physical and practical skills.¹⁴

The challenge is to develop competencies that build a knowledge-based economy where new models are founded and where people and technology partner and co-create.



The challenge is to develop competencies that build a knowledge-based economy where new models are founded and where people and technology partner and co-create.

Dr Basma AlBuhairan



13 Gain Summit, State of AI in Saudi Arabia (2024), 47, <https://globalaisummit.org/Documents/StateofAlinSaudiArabia.pdf?bcs-agent-scanner=c9b4da78-7582-2a4c-82f6-b0c5a94c301c>

14 Human Capability Development Program, 2021–2024 (2021), 10, <https://www.vision2030.gov.sa/media/pgid4z3t/2021-2025-human-capability-development-program-delivery-plan-en.pdf?bcs-agent-scanner=6043723a-ffe1-3b47-a40a-39fad286558c>



Bilal Y. Saab

Senior Managing Director of TRENDS US, Associate Fellow with Chatham House, and Adjunct Professor with Georgetown University.

How will AI transform the economic and geopolitical landscape of the Middle East?

With Saudi Arabia seeking to create a fund of about US\$40 billion to invest in AI, and the UAE and Qatar competing to become global players in this space, there is no question that this technology will play a significant role in the economic and geopolitical future of the Middle East.

AI will continue to disrupt several markets in the region, especially the energy sector, but the defence industry and the military domain are likely to experience a significant boost, too. None of this is theoretical or purely aspirational. Look at how Israel has already leveraged AI in its intelligence cycle to achieve some of its military goals in Gaza and in Lebanon in recent weeks and months. Indeed, AI has had its fingerprints all over the Israeli military's target development. Other countries in the region are likely to learn from Israel's experience and incorporate AI's capabilities into their attempts to build stronger domestic defence industries, as well as military power. This will help them, to some degree, reduce their military dependence on outside powers, but



also enhance their cooperation with Washington on joint development of AI.

Given their large sovereign wealth funds and unmatched investments in AI, Saudi Arabia, the UAE, and Qatar will be in a position to not only take advantage of its transformative potential but also to shape its future in ways that are consistent with their goals and preferences. This is needed because the technology is by no means perfect. It presents strategic risks and policy challenges, which makes regulation key. Israel's war conduct in Gaza and Lebanon has clearly shown that AI presents serious legal and ethical issues that must be addressed on an international level.

Nobody wants to fall behind in AI, especially in this environment of intense great power competition. In cooperation with the US, Gulf Arab powers will play crucial roles in advancing better AI education and training to mitigate the risks of the technology. In the defence domain, it would be wise for them to push for greater human supervision and intervention to reduce the likelihood and contain the consequences of catastrophic AI failures.



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Bilal Y. Saab





Dr Aseel Addawood

Head of AI EMEA at Oracle.

Can you share your perspective on, and assessment of, advances in the AI sector in the MENA region?

The MENA region is experiencing significant advancements in AI, primarily driven by visionary government initiatives and strategic investments. Countries such as Saudi Arabia and the UAE have put in place ambitious national AI strategies, fostering innovation, building infrastructure, and developing AI talent. The region has seen a rise in AI startups and research hubs, creating a vibrant ecosystem that supports technological progress and economic diversification.

How is the private sector in MENA embracing and incorporating AI systems into its daily workflows? Is the sector ready, and how is it preparing for disruptions in the labour markets and financial systems? What are the challenges and opportunities?

The private sector in MENA is actively embracing AI, integrating it into industries like finance, healthcare, and logistics. Companies are leveraging AI to improve efficiency and customer experiences, and drive innovation. However, readiness varies. While some sectors are at the forefront of AI adoption, others are in the nascent stages, gradually building capabilities and infrastructure.

The primary challenges include data privacy concerns, a need for more skilled AI professionals, and regulatory hurdles. Nonetheless, the opportunities are vast: AI can boost productivity, create new business models, and generate employment in tech-driven roles. Companies are responding by investing in AI technology, training employees, and building partnerships to navigate potential disruptions in labour markets and financial systems.

How is Saudi Arabia preparing for the AI age? Does AI deployment risk undermining progress in developing Saudi Arabia's human capital? Now that the Saudi workforce has begun to replace expatriate workers, especially in the service sector, will the application of AI make them redundant to economic development?

Saudi Arabia is strategically preparing for the AI age as part of Vision 2030. The Kingdom invests in AI infrastructure, fosters innovation, and prioritises education and skills development to ensure the workforce is future ready. It aims to deploy AI in ways that complement human capital development rather than undermine it.

AI presents challenges and opportunities as the Saudi workforce transitions from expatriate to national labour. While AI may automate specific tasks, it also creates demands for new skills and roles. Focusing on upskilling and reskilling will be critical to ensure that Saudi nationals are equipped to contribute meaningfully to economic development.



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