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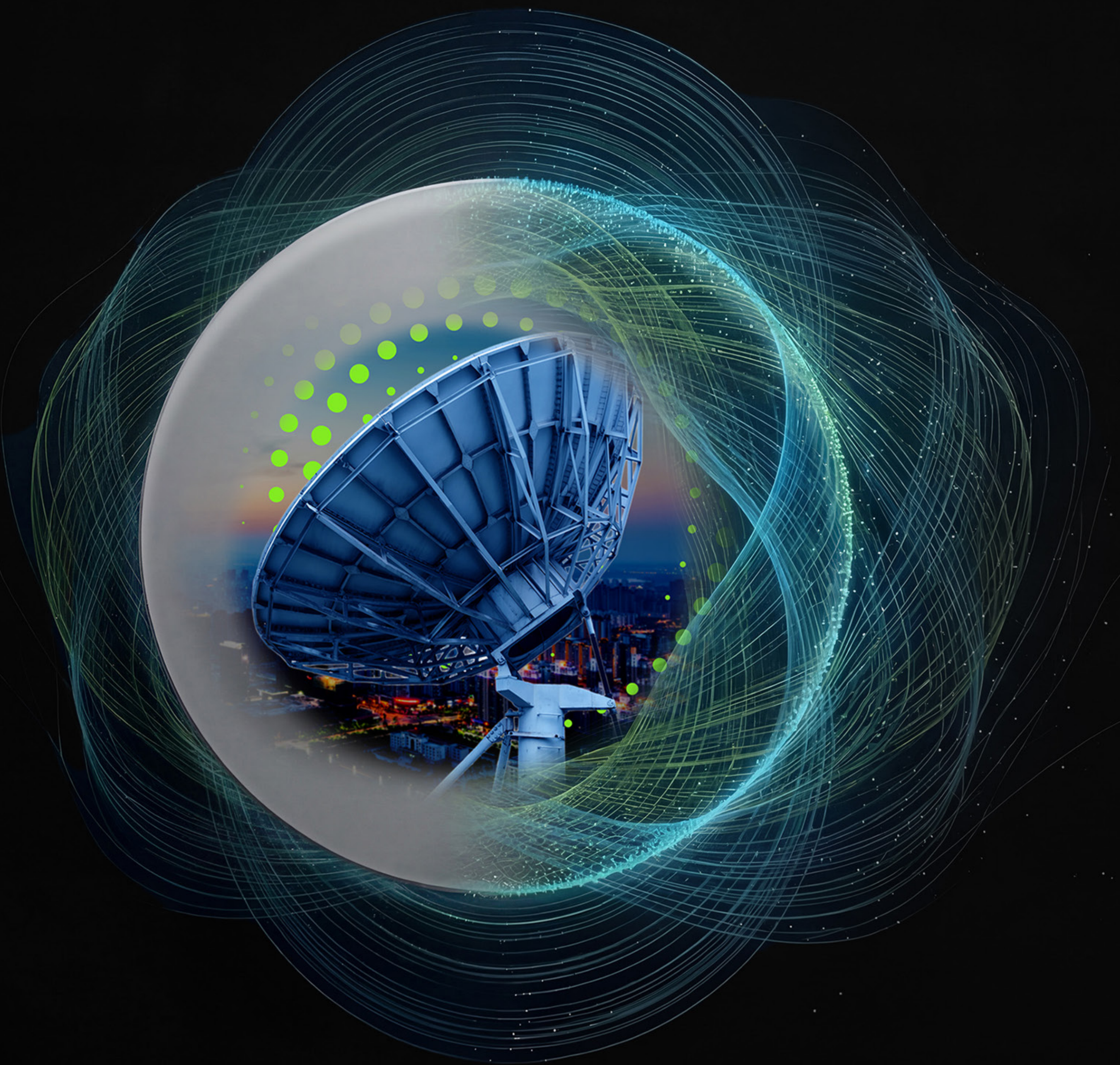

Navigating regional geopolitical shifts: A perspective for GCC Technology, Media & Telecommunication (TMT) leaders

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Executive Summary

The current regional geopolitical situation has created a concentrated operational stress test the GCC's digital economy has faced in recent years, compressing supply chain, connectivity, talent, and demand-side pressures into a single operating period rather than sequentially. Hyperscale data centers, subsea cable networks, sovereign cloud ambitions, and the regional talent ecosystem have all encountered new operating conditions since late February 2026. While a ceasefire framework has been in place since early April, regional dynamics, cyber activity, and shipping considerations in the Strait of Hormuz continue to shape how TMT leaders plan and operate.

For TMT leaders in the GCC, the operating picture is asymmetric rather than uniformly negative. The same conditions that constrain near-term capital development are accelerating structural demand shifts that reward well-positioned operators. New considerations have emerged around physical infrastructure resilience, asset sovereignty, contractual delivery obligations, talent continuity, and capital project timing. At the same time, the current geopolitical landscape is reinforcing structural tailwinds: stronger demand for sovereign cloud and in-region digital services, higher digital media and commerce consumption, and a clearer mandate to invest in cyber and operational resilience.

This article offers a TMT industry perspective on where the operating environment is shifting, where the opportunity is most concrete, and what TMT operators should prioritize over the next 6 to 24 months. Each recommendation in Section 4 is explicitly mapped to the impact dimensions outlined in Section 3, enabling leadership teams to move directly from diagnosis to response. Operators that navigate this unprecedented regional situation by undertaking a structured review of their infrastructure redundancy, contractual risk exposure, and talent pipeline will exit it better positioned than those managing it as a temporary disruption.

1. The macroeconomic backdrop

The current period has produced the most significant recalibration of GCC growth expectations in recent years. The IMF has revised down its 2026 GDP growth forecasts across all GCC economies. In April, Saudi Arabia's outlook[1] was lowered to 3.1%, a decrease of 1.4 percentage points (pp) from the January projection of 4.5%, reflecting the impact of the conflict and disruptions around the Strait of Hormuz, which have reduced oil production and disrupted shipping routes. Despite this downgrade, the Kingdom is expected to be less severely affected than some Gulf neighbors — Qatar (-8.7%), Bahrain (-0.5%) and Kuwait (-0.6%) — which are now expected to contract. In contrast, the UAE is forecasted to grow at just 3.1%, while Oman is expected to expand by 3.5%. As a result, the regional MENA average has been downgraded to 1.1%[2]. These forecasts, prepared in April, assume that energy production and transportation across the region normalize in the near term and therefore downside risks to these forecasts remain if conflict-related disruptions persist. More recently, the IMF forecast for Saudi Arabia was further downgraded to 2.0% with continued uncertainty and downside risks persisting[3].

Approximately twenty million barrels per day of crude and oil products transit the Strait of Hormuz under normal conditions, with KSA shipping more crude oil and condensate through the Strait of Hormuz than any other nation. However, unlike other regional peers, KSA and the UAE have managed to retain meaningful overland pipeline bypass capacity, providing a degree of fiscal insulation for both governments. Brent has traded in a higher band since early March, and the European Central Bank, OECD and US Federal Reserve have all adjusted their 2026 inflation and rate-path expectations to reflect the new energy-pricing environment. For GCC TMT operators, the practical implication is that sovereign capital for digital investment remains available, even as global financing conditions tighten.

Despite higher prices and pipeline bypasses, a 3.4% decline in oil revenues coupled with increased expenditure pushed KSA to its highest budget deficit in five years in Q1 2026[4]. This underscores the government's continued commitment to sustaining economic activity and advancing Vision 2030 diversification. The outcome also aligns with the broader strategy to bolster the Kingdom's economic resilience amid heightened regional uncertainty by securing supply chains, localizing strategic industries, and building financial buffers to protect domestic growth amid ongoing geopolitical uncertainty. This also suggests positive momentum in terms of their focus on developing digital infrastructure programmes despite the broader energy market disruption.

Macroeconomic snapshot – GCC 2026

GCC 2026 GDP growth forecast revised; Saudi Arabia 3.1%, United Arab Emirates 3.1%, Oman 3.5%, Qatar – 8.7%, Bahrain – 0.5% and Kuwait – 0.6%.

MENA growth forecast revised to 1.1%. Strong catch-up growth anticipated for 2027 as conditions normalise.

Source: IMF World Economic Outlook (April 2026)

Three macro indicators are most directly relevant to TMT planning horizons, and they are not equally affected:

1. **Sovereign capital deployment** carries the greatest downstream consequence;
2. **Enterprise IT capex** is repricing more quickly, particularly in hospitality, aviation, and retail; and
3. **Consumer discretionary spending** is proving the most resilient of the three macro indicators, supported by structural shift toward digital channels.

The more consequential planning variable for TMT operators is the pace of enterprise and sovereign IT spend decisions, where sequencing and prioritisation are changing more materially than overall budget levels.

2. Indicators specific to the TMT and digital transformation agenda

The Gulf's digital transformation agenda remains one of the most ambitious in the emerging-market world. Sovereign wealth funds across Saudi Arabia, the UAE, and Qatar collectively manage assets estimated at approximately US$6 trillion, reflecting significant growth driven by non-oil investment mandates. In 2025 alone, combined sovereign investor deployment into AI and digitalization reached approximately US$66 billion, positioning leading global investors at the top of this category[5]. The pipeline of announced AI campuses, hyperscale data centers and sovereign cloud investments across the region represents the most significant concentration of digital infrastructure capital commitment seen in any emerging-market bloc in the current cycle.

Approximately 233 data centers now operate across the GCC[6], with the UAE alone hosting the largest concentration of facilities in bloc, and the Kingdom of Saudi Arabia, the UAE and the State of Qatar collectively planning in excess of 7 gigawatts of AI compute capacity in announced projects, with further capacity under development[7]. National telecom champions across the bloc have anchored multiple international subsea cable consortia, positioning the region as a critical Asia–Europe digital corridor. Several hyperscale projects have paused final investment decisions pending resolutions of war-risk insurance terms and revised cable routing considerations, with delays likely measured in quarters rather than years but material for operations planning network dependencies on these facilities.

What is at stake

The more consequential question is not the headline investment figure, but which committed projects proceed on their original sequencing, which face phased deferral, and which operators have the infrastructure positioning and contractual flexibility to capture demand as regional conditions normalize. The answer will differ significantly by market, by operator type and by the decisions made in the next two to four quarters.

Source: Semafor; Foreign Policy; Bloomberg; Submarine Networks.

TMT leaders should monitor real-time indicators that include maritime traffic and insurance benchmarks, cable project sequencing and timelines, sovereign wealth deployment pace, government TMT capex announcements (particularly within Saudi Vision 2030 and We the UAE 2031), cyber-incident telemetry across financial services and telecom, and net inward flow of senior technology talent.

3. Impact on TMT players: risks and opportunities

The operating impact on GCC TMT players is not uniformly negative. The current period has simultaneously pressured and accelerated different parts of the TMT value chain. Physical infrastructure, supply chain, and contractual delivery face genuine near-term strain. Digital consumption, sovereign cloud, and cyber investment are seeing demand pull that would have taken considerably longer to develop under normal regional conditions. The ten dimensions below structure the operator perspective and are referenced directly in the recommendations that follow.

3.1 *Supply chain considerations*

Maritime routing adjustments, rerouting via the Red Sea and Cape of Good Hope, and elevated war-risk insurance have lengthened lead times and raised landed costs for most TMT input categories, including network equipment, GPUs, fiber-optic cable and data-center power and cooling systems. Based on current lead-time intelligence from network equipment suppliers and elevated freight insurance conditions, operations in active deployment phases should plan for project sequencing adjustments of approximately three to nine months on hardware-dependent workstreams, consistent with routing disruption patterns observed across the region in recent periods. Operators should seek updated lead-time confirmation directly from their primary equipment suppliers before finalizing program schedules.

3.2 *Subsea cable resilience*

The primary subsea cable vulnerability in this region is not at the Fujairah landing point, which sits on the UAE's east coast outside the Strait of Hormuz, but along the seabed routes that pass through the Strait itself. Cables laid on the seabed are by design exposed and unprotected, making them vulnerable to physical interference, vessel anchor drag, and deliberate disruption during periods of heightened regional activities. More than thirteen major subsea cable systems transit this corridor[8], and any sustained disruption to the Strait would affect data flows across the Asia-Europe digital corridor independently of what happens at landing stations. Fujairah's concentration of landing infrastructure compounds this exposure by creating a single convergence point for traffic that has already transited the most vulnerable section of the route. Operators should assess both seabed route diversity through the Strait and land-based bypass alternatives as part of any structured redundancy review.

The Fujairah concentration consideration

Fujairah hosts the densest convergence of subsea cables serving the UAE's data centre footprint and the broader Gulf digital economy. Concentration at this single landing point is one of the most important structural considerations for cloud, internet, and content delivery latency planning across the region.

Source: Stimson Center; Technology Magazine

3.3 *Government and enterprise spending recalibration*

Public-sector IT capex is being prioritized more narrowly toward sovereign cloud, national security, and critical infrastructure resilience, categories that are well-funded and growing. Discretionary digital transformation initiatives in non-critical areas are being sequenced more carefully. Enterprise customers in tourism, hospitality, aviation, and retail are pacing investment more conservatively.

System integrators and SaaS vendors with concentrated public-sector exposure are well-positioned to benefit from the shift in spending priorities through 2026, as government budgets are being concentrated toward sovereign cloud, security and critical infrastructure, categories where demand is well-funded and expanding. Operators that align their service offering to these priority areas ahead of the normalization of broader discretionary spending are likely to capture a disproportionate share of the recovery. The scale of opportunity will vary by contract structure, sector concentration, and geographic footprint, with conditions expected to strengthen through 2027.

3.4 *Talent continuity*

Several multinational technology employers temporarily paused regional office operations in early March, and some have adjusted expatriate staffing and new-arrival timelines. The current geopolitical situation is accelerating an already established trend across the GCC: the deliberate development of local AI and cloud engineering capability. The expatriate technical talent pipeline has complemented, rather than substituted, the regional talent base, and the current period of multinational caution is creating space for national champions and well-capitalized regional operators to deepen their local talent bench. Partnerships with regional universities and AI research institutions, combined with structured succession planning for senior technical roles, are becoming a source of competitive differentiation rather than a compliance requirement. Smaller operators will need to plan more carefully for retention and continuity of both local and expatriate engineering capability.

3.5 *Cyber threat environment*

Cyber threat intelligence providers have flagged elevated activity targeting financial services, telecom, and energy infrastructure across the region. The pattern follows established playbooks: intelligence-gathering and phishing operations during high-tension periods, followed by potential disruptive activity in subsequent phases. Importantly, cyber activity typically continues and may intensify during ceasefire periods even as physical disruption eases, as state-aligned actors shift toward intelligence-gathering operations. Sustained cyber vigilance should be treated as a stranding operational requirement through at least 2027, independent of the broader geopolitical trajectory.

3.6 *Digital commerce and media tailwind*

This is the most concrete upside category. With aviation and tourism operating at adjusted levels and physical retail seeing softer footfall, consumer behavior has shifted measurably toward digital channels. Streaming and on-demand video consumption has increased; news and information app usage has surged; e-commerce and food-delivery demand has spiked in groceries, essentials, and entertainment categories. Mobile data consumption is structurally higher. Telecom operators with content, super-app or fintech exposure benefit disproportionately; pure-play connectivity providers benefit indirectly through sustained usage volumes.

3.7 *Contractual delivery and legal considerations*

This dimension is often underweighted in operator planning. Across the GCC, many jurisdictions include service delivery contracts as obligations to achieve a result as well as to exercise care. Courts and tribunals have generally approached force majeure provisions cautiously and on a fact-specific basis during periods of regional disruption. In many cases, disruption alone will not automatically excuse non-performance, particularly where the contractual obligation is characterized as an obligation to achieve a specified result rather than merely exercise reasonable care. Operators should seek explicit legal review of their contractual position rather than assuming existing force majeure clauses provided meaningful protection.

3.8 *Employee safety and remote working*

Workforce continuity planning is operationally demanding in the short term, with airspace closures and embassy advisories complicating workforce mobility and family planning. But this dimension is also where some of the most durable upsides exist. Operators that invest in distributed-work infrastructure, secure access service edge architectures and out-of-region business continuity capability will gain a lasting capability uplift. The UAE's long-established remote-work visa program and the Kingdom of Saudi Arabia's recent labor market reforms position both markets to potentially convert current operating pressures into a structural workforce advantage.

3.9 Sovereign cloud and digital sovereignty acceleration

The current period has reaffirmed two cases for sovereign digital infrastructure that were previously treated as long-term aspirations rather than immediate operational requirements.

The first is reliance risk: During periods of geopolitical tension, infrastructure that sits outside national control cannot be relied upon with the same confidence as domestically owned and operated capacity. This applies equally to connectivity, compute, and data storage. Regulators and large enterprises across the Kingdom of Saudi Arabia, the UAE and the State of Qatar are accelerating sovereign cloud mandates, in-region data residency requirements, and dual-region failover specifications in direct response to this reality.

The second is target risk: Foreign hyperscaler infrastructure operating on GCC soil is not immune to becoming collateral in broader geopolitical disputes. US-headquartered hyperscalers, for example, carry a different risk profile during periods of US-regional tension than nationally owned alternatives. This is driving demand for multi-cloud architectures that incorporate genuine international diversity rather than simply distributing workloads across multiple regions of the same global provider.

Together these two dynamics are structurally redirecting workloads toward regional operators with sovereign cloud zones and dedicated in-country infrastructure. The pace of rebalancing will be determined by regulatory enforcement timelines and the speed at which operators build credible sovereign alternatives, rather than market preference alone.

3.10 Insurance, war-risk premia and project economics

War-risk and operational-risk insurance for shipping, telecom infrastructure, cable-laying activity and major capital projects have been repriced upward. For TMT players with active capital programs, this lifts the cost of capital and shifts the economics of in-region versus near-region (the Sultanate of Oman interior, Egypt, Cyprus) build decisions. The implication is not to retreat from the region. It is a more deliberate portfolio approach to capacity placement.

4. Critical considerations for GCC TMT operators

The leadership question is not whether to remain committed to the GCC digital agenda – sovereign sponsors, regulatory direction and capital structures make that commitment durable. The question is how to use the next two to four quarters to reset the operating model so that future shifts in the operating environment, regardless of origin, find the business on more resilient footing. Six critical considerations stand out, each mapped directly to the impact dimensions in Section 3.

Critical Areas		Addresses impact dimensions	Primary outcome
i	**Infrastructure resilience**	3.1 Supply chain; 3.2 Subsea cables; 3.8 Employee safety; 3.10 Project economics	Continuity of revenue-critical services through dual-region, route-diverse architectures
ii	**Contractual and legal reviews**	3.2 Subsea cables; 3.7 Contractual and legal considerations	Risk transfer that reflects current operating realities; SLA exposure managed at acceptable levels
iii	**Step-change in cyber posture**	3.5 Cyber threat environment; 3.7 Contractual and legal considerations	Reduced incident likelihood and impact; demonstrable assurance to regulators and customers
iv	**Talent continuity and regional bench**	3.4 Talent continuity; 3.8 Employee safety	Strengthened local engineering capability and talent continuity; reduced dependency on single points of failure in senior technical roles
v	**Capital discipline and selective expansion**	3.1 Supply chain; 3.3 Spending recalibration; 3.10 Project economics	Stronger competitive position through disciplined capex and selective consolidation
vi	**Sovereignty and resilience narrative**	3.6 Digital commerce and media; 3.9 Sovereign cloud acceleration	Premium positioning aligned with regulatory and customer demand for in-region capability

Critical Area 1: Infrastructure resilience as a board-level KPI

Move beyond single-region or single-availability-zone architectures. Require dual-region active-active deployments for all customer-facing and revenue-critical workloads, with at least one region positioned outside the immediate Gulf risk envelope (the interior of the Sultanate of Oman, Egypt, Cyprus, India's west coast). Insist on transparent cable-route diversity from connectivity suppliers and treat Fujairah landing-point concentration as a specific board-level item. Tie the same architecture to workforce continuity by ensuring that critical operational functions can be executed remotely from out-of-region locations.

Critical Area 2: Contractual and legal reviews

Review customer-facing SLA, master services agreements and managed-services contract against current legal advice on obligation-of-result and force majeure applicability. Renegotiate operational-risk and connectivity-risk carve-outs. For cloud resale and platform services, shift appropriate risk allocation upstream to infrastructure partners. Update business interruption insurance coverage and confirm that physical infrastructure and cyber events are addressed under integrated policy terms.

Critical Area 3: Step-change in cyber posture

Assume sustained, low-grade region-aligned cyber activity for the next 12 to 24 months even if the broader ceasefire framework holds. The immediate priority is not perimeter hardening. Most GCC operators have adequate baseline controls in place. The more exposed area is the convergence of IT and operational technology security in telecom infrastructure, where legacy network management environments remain the most structurally vulnerable attack surface in the regional threat landscape. Segmentation of operational technology, threat-intelligence partnerships with regional CERTs and national cyber authorities, and tabletop exercises for combined physical-and-cyber scenarios represent the most material near-term investments. Document this posture for regulatory and customer assurance purposes. The same investments that reduce risk are increasingly required as commercial differentiators.

Critical Area 4: Talent continuity and the regional bench

Deepen the local engineering bench through accelerated partnerships with regional universities and AI research institutions. The current period creates an opportunity to accelerate local talent development and deepen institutional knowledge within regional teams, building a more sustainable and locally grounded capability base for the long term.

Critical Area 5: Capital discipline and selective expansion

Sovereign capital remains committed. Private and venture capital flows into regional technology have become considerably more selective, and several mid-tier managed-services providers are facing pipeline deferral through 2026, creating acquisition opportunities for subscale regional operators that are more favorable than they have been in recent years. Well-capitalized national champions and regional operators with strong balance sheets are well-placed to accelerate inorganic growth ahead of the anticipated demand rebound. At the same time, defer non-strategic capex on hardware-intensive projects where supply-chain timing is uncertain, and rephase capital projects to align with insurance and operational-risk repricing.

Critical Area 6: Lean into the sovereignty and resilience narrative

For national champions and regional operators, the current period has produced the strongest commercial case for sovereign cloud, in-region AI and indigenous cyber capability that the GCC has seen. Reposition existing services around sovereignty, resilience, and continuity. Lead public-sector and large-enterprise conversations with this narrative rather than feature parity with global infrastructure providers. The accompanying surge in digital commerce and media consumption provides immediate revenue momentum to fund the longer-term sovereignty build-out.

5. Outlook

Even with continued regional considerations, the trajectory of GCC TMT remains structurally intact. Sovereign capital is committed; the demographic and consumption fundamentals are unchanged; and the underlying transformation agendas, including Saudi Vision 2030, We the UAE 2031, Qatar National Vision 2030 are too far advanced and too well-funded to be reversed. Sovereign wealth funds have largely reaffirmed their core digital infrastructure commitments; the majority of hyperscale partners have maintained their regional presence and adjusted operating models rather than withdrawing; and cable consortia are actively redesigning routes rather than reducing capacity.

The structural logic of GCC digital investment remains intact. What the current period has done is compress the timeline for decisions that were already inevitable: on infrastructure redundancy, contractual risk, cyber posture, and sovereign capability. Operators that treat this period as a constructive reset of their resilience posture and capital allocation discipline will find themselves better positioned, better contracted and more credibly differentiated when regional conditions normalise. Those who wait for the operating picture to clarify fully will find that the market has already moved.

Sources

[1,2] *IMF World Economic Outlook (April 2026)*

[3] *IMF Press Release No. 26/181*

[4] *Ministry of Finance, Quarterly Budget Performance Report*

[5,6] *Data centers under fire test Gulf sovereign AI ambitions | Semafor*

[7] *From-Crude-to-Compute-1.pdf*

[8] *Submarine Cable Map*

Other references

International Monetary Fund, World Economic Outlook and MCD Regional Economic Outlook (April 2026); Oxford Economics (March 2026); United Nations Development Programme (March 2026); Bloomberg; Semafor; Foreign Policy; Council on Foreign Relations; Stimson Center; Submarine Networks; Technology Magazine; Data Centre Magazine; CNBC; TechPolicy.Press; Middle East Institute; Middle East Briefing; Time; Al Jazeera; SolAbility; SubTel Forum; SocRadar; Nextgov/FCW; OECD; European Central Bank; published legal analyses on UAE service-contract jurisprudence (March 2026).

This whitepaper is intended for senior TMT executives in the GCC and is based on publicly available information as of mid-May 2026. The operating environment continues to evolve; readers should validate specific figures against the most current data before making strategic or capital allocation decisions.

The above reflects general legal observations based on publicly available information and does not constitute legal advice. Operators should seek independent legal counsel regarding their specific contractual position.

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