

## PalArch's Journal of Archaeology of Egypt / Egyptology

### ECONOMIC TIES BETWEEN THE KINGDOM OF SAUDI ARABIA AND THE UNITED ARAB EMIRATES (1975-1981)

*Sawsan Jabbar Abdul Rahman*

University of Kirkuk / College of Arts

Email: [dr-sausan10@uokirkuk.edu.iq](mailto:dr-sausan10@uokirkuk.edu.iq)

**Sawsan Jabbar Abdul Rahman. Economic Ties Between The Kingdom Of Saudi Arabia And The United Arab Emirates (1975-1981)0-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 16(3), 28-33. ISSN 1567-214x**

#### **ABSTRACT**

The Saudi-Emirati relations are historically profound, in addition to having an economic power, which is represented by the oil prosperity. This relationship was stirred into reality by virtue of the mutual visits between the leaders of the two countries, which had a great impact in deepening the relationship between the two parties, especially in the economic side. What further strengthened the relationship is the emergence of oil in the region and the economic recovery that the region witnessed. Since Sheikh Zayed's first visit to the Kingdom, the two parties coordinated their economic policies, which resulted in the establishment of many economic projects and intra-trade activity between the Kingdom of Saudi Arabia and the UAE, especially with the availability of economic and geographical conditions that helped the development. Additionally, they signed several economic agreements between the two countries, which culminated in the Unified Economic Agreement in 1981.

#### **INTRODUCTION**

The issue of international relations, especially economic ones, is paid widespread attention by academic studies and by the leading elites because of its great importance in the course of relations between countries. Thus, it would have reflections on the political and social aspects of the related countries where the KSA and UAE are major in the development of the economic conditions in the Gulf region. Hence, the importance of the research topic is the nature of the economic relations between the two countries in the period (1975-1981). The research dealt with two topics. The second topic only sheds light on the most important economic agreements between the Kingdom and the UAE, as well as the expansion of commercial activity between the two parties.

*The development of Saudi-UAE economic relations*

## 1- Historical overview of the Saudi and UAE economy

At the beginning of the establishment of the Saudi state, the economy of the kingdom was rudimentary and relied on almost the only resource, which is Hajj and Umrah. As for the population's activity, it was weak before the oil discovery. It relied on raising livestock by the Bedouins. However, the economy of Kingdom witnessed a great development after the oil discovery and improving its prices, especially during the period 1970s of the twentieth century, being a stage that witnessed many developments in most sectors, especially with the start of the second fiftieth plan (1976-1980) (Hussein Ali Al-Shara, Saudi Economy: 7)

As for the economy of the Emirates, the end of the fifties of the twentieth century had a limited economy that relied on pearl extraction, fishing and traditional trade relying on its commercial fleet that was sailing through the Arabian Gulf, the Arabian Sea and the Indian Ocean (Mane Saeed Al-Otaiba, Petroleum and Economics: 105)

Furthermore, agriculture was a main source of population before oil (Muhammad Ghanim Al-Rumaihi, Petroleum and Change, 58)

Allah granted the bless of oil wealth to the two countries, as it can be said that the Kingdom of Saudi Arabia possesses the highest amount of economic power, and the UAE comes in second place. In the Kingdom, the largest oil field in the whole world is the (Ghawar) field, which contains up to 90 billion barrels of oil. In the UAE, the (Zakum) field is one of the largest oil fields in the world and contains (35) billion barrels, which comparatively is more than all the oil in the United States of America (Hamad Saeed al-Shami, Arab relations: 255). The economic cooperation and the exchange of benefits between them becomes a necessary requirement for the degree of their cooperation in providing economic aid to developing countries (Ismail Ahmad Dais, Foreign Aid: 184)

The economic relationship between the two countries deepened after the mutual visits between the leaders of the two countries, as Sheikh Zayed bin Sultan Al Nahyan (1918-2004) visited the Kingdom of Saudi Arabia in the years (1975-1978 - four visits in 1979 - a visit in 1980 and 1981, which were private and official visits). As for the visits to the Kingdom, the prince visited, then, Fahd bin Abdulaziz Al Saud (1982-2005) to Abu Dhabi in 1975, and King Khalid bin Abdulaziz Al Saud (1975-1982) visited in 1976 and during the visit the Sikh Zayed fired part of the land of the Emirates Name (Watte Khaled) in recognition of King Khalid's visit to the Emirates.

King Khalid repeated his visit to the UAE in 1981, and these visits had tangible results in economic cooperation between the two countries (Abd al-Rahman bin Muhammad bin Musa al-Hamoudi, diplomacy and ceremonies: 100)

## 2- Joint economic projects between the Kingdom of Saudi Arabia and the Emirates

The Kingdom held several conferences with the UAE to document economic relations between the two countries and discuss in economic aspects, including the first conference of agriculture ministers in the Gulf, which the Kingdom of Saudi Arabia called for in 1976. The UAE was at the forefront of countries that participated in the conference and dealt with agricultural development affairs, exchange of information and research on developing fisheries and fishing. The two countries held the first Arab Energy Conference at the invitation of the UAE in 1979, where the Kingdom participated in the conference and included coordination between Arab countries in the field of energy (Mana Saeed Al-Otaiba, *Petroleum and Economics*: 691).

Within the same regard, the UAE hosted the first conference on food security in 1981 with the Kingdom of Saudi Arabia, which resulted in coordination committees to follow up on common economic issues between the two countries and contributed to coordinating cooperation between the two countries (Muhammad Ghanim Al-Rumaihi, *the Gulf is not oil*: 145)

The deep historical roots of the Saudi-Emirati relations contributed to finding a formula for solid economic cooperation between the two parties represented in the presence of many Saudi commercial companies in the Emirates as well as the presence of Emirati companies in the Kingdom, which led to the overlap of economic interests between the two countries, deepening the relationship between them and transforming them into institutional economic relations that include all Aspects of economic life (Naif bin Eid Badr Al-Otaibi, *Relationship Assessment*: 5)

### ***Aspects of economic cooperation between the Kingdom of Saudi Arabia and the UAE***

1- Economic agreements between the Kingdom and the Emirates 1976-1981  
Economic relations between the Kingdom of Saudi Arabia and the State of the Emirates have been strengthened by many agreements, whether at the level of the two countries, i.e. bilateral agreements or in the form of general agreements, either at the level of Arab countries or at the Gulf level (Khalid bin Fahid Al-Subaie, *Cooperation Council*: 42) At the level of economic agreements between the two countries, the two parties concluded an agreement on June 11, 1978, which included (9) basic articles that affirmed a set of economic rights enjoyed by the subjects of the two countries. These articles include the freedom to practice economic activity between the two countries and granting the competent authorities all the necessary facilities to enter the lands of the other country, including facilitating the procedures for the transfer of nationals between the two countries. They also include encouraging establishing joint economic institutions and bodies for production as well as encouraging the two countries to set up economic development projects between them, provided that the Kingdom imports products (industrial - agricultural) and natural resources directly from the UAE to the Kingdom. The products are not subject to export duties and are exempted from customs duties and taxes. Forming joint committees that meet from time to time in Riyadh and Abu Dhabi to follow up the implementation of what has

been agreed upon (Hussein Kamil Kamel Jaber Al-Shahir, United Arab Emirates: 235))

The agreement achieved many economic facilities that resulted in an increase in trade exchange and economic cooperation between the two countries and paved the way for the implementation of many joint projects between the two countries (Muhammad Barak Al-Fawzan, The Comprehensive in the Kingdom systems: 200). The two countries established economic agreements in the Arab context, including the agreement on organizing transit transport in 1977, which is related to organizing the flow of goods through the territories of Arab countries within the League of States as well as the unity of the Saudi-Emirati ranks within OPEC and OAPEC decisions on oil and its prices through organized meetings or through the exchange of visits between the two countries in this regard (Mane Saeed Al-Otaiba, Petroleum and Economies: 615)

The Kingdom share with the UAE in economic agreements within the Arab Gulf states, including the 1977 and 1978 agreements, which included all the countries of the Arab Gulf to coordinate everything related to oil policies and energy issues (Mahmoud Muhammad Dagher, using a coordination method: 100) The economic relations between the Kingdom of Saudi Arabia and the UAE have been strengthened. After the two countries and the rest of the Arab Gulf states joined the Cooperation Council for the Arab States of the Gulf in 1981, the ministers of the GCC countries approved in a meeting held in Riyadh on May 8, 1981 the unified economic agreement between the member states to achieve the goals of joint action, and the agreement was ratified by the rulers and kings of the GCC states in November 11, 1981, the objective of the agreement is to coordinate the economic, monetary and financial policy of the GCC countries and to achieve economic integration between the Gulf states (Hamad Saeed Al-Shami, Arab Relations: 337)

In order to document and strengthen the economic ties between them, the agreement included an introduction and seven chapters divided into (28) articles for cooperation and economic interaction in several economic aspects, including: coordination of development plans and petroleum policies, support for basic equipment such as transport networks, energy and water sources among the Gulf states, in addition to coordinating financial policies and systems. The agreement dealt with trade exchange so as to allow the export and import of agricultural and industrial products and natural resources, standardization of customs tariffs, removal of restrictions on the movement of people, capital and goods. The agreement also emphasized the importance of supporting the role of the private in the member states. For implementing this, the Gulf Investment Corporation was established among the member states with a capital of (2, 1) one billion dollars to encourage the participation of the private sector in it (Khalid bin Fahid Al-Subaie, Cooperation Council: 110) and to coordinate cooperation with the outside world. In this regard, countries formed ministerial committees and specialized groups to coordinate among themselves to achieve the goals and foundations contained in the agreement (Jassim Muhammad Al Qasimi, Economic Integration : 50)

## 2- Trade exchange activity between the Kingdom and the Emirates

The Kingdom of Saudi Arabia and the UAE are at the forefront of the Arab Gulf states with a strong commercial relationship. The location of the Kingdom and the UAE on the Arabian Gulf had its impact on enhancing cooperation in the field of (commercial) maritime transport between the two parties, and it also helped facilitate the transportation of passengers, as well as the two countries connection by a direct land route, which helped deepen economic cooperation between the two countries.

The period of King Khalid bin Abdulaziz's rule witnessed clear activity in the field of trade exchanges between the two countries, in particular Saudi Arabia exports to the UAE, including chemical industrial products, electrical appliances, building materials, and agricultural crops, the most important of which were dates. The Kingdom's exports to the UAE in 1975 reached (137837928) Saudi riyals, to increase 1981 to (279676364) Saudi Riyals, and this indicates the size of the development witnessed by the trade relations between the two countries (Ministry of Finance, Foreign Trade Statistics: 76)

## CONCLUSION

The Arab Gulf states in general have tremendous strategic and economic power represented by their possession of oil wealth, which is the power that is characterized by its creation of prosperity in peacetime and its effective contribution to achieving victory in time of war. This power enforced the relationship between the Gulf States especially between the UAE and KSA. The relationship between the two countries in the period (1976 - 1981) was characterized by being historical - geographic - and of economic dimensions, especially after the emergence of oil wealth in both countries. The economic data of the two countries confirm that they enjoy great economic weight by virtue of their possession of important economic and natural resources. This relationship has taken several forms either bilateral agreements between the two countries or agreements with Arab countries or within the framework of the Gulf Cooperation Council. It took several forms, including their common stances in determining oil prices within the framework of OPEC and OAPEC, and organizing conferences through which they try to achieve unity and economic cooperation. In addition, they adopted an economic approach that is compatible between the two countries. The two countries combined mutual economic interests that culminated in numerous economic agreements.

## REFERENCES

- Al-Hamoudi, Abdulrahman bin Muhammad bin Musa. (1999). Saudi diplomacy and ceremonies - historical - diplomacy, Volume 2, First Edition.
- Al-Rumaihi, Muhammad Ghanem. (1983). The Gulf is Not Oil - A Study of the Problematic Development and Unity, 1st Edition, Kazma Publishing, Translation and Distribution Company. Kuwait
- Al-Subaie, Khalid bin Fahid. (2007) Cooperation Council for the Arab States of the Gulf - A study on the march of integration and unity, an MA thesis, College of Systems and Political Science, (King Saud University).

- Al-Shami, Hamad Saeed. (2016). Arab-Arab relations in modern and contemporary history - Gulf Cooperation Council as a model, PhD thesis, Faculty of Human Sciences. Beirut Arab University
- Al-Shahir, Hussein Kamel Jaber. (2007). The State of the United Arab Emirates and its Gulf Relations 1971-1981, PhD Thesis, College of Education. University of Al-Qadisiyah.
- Al-Otaibi, Nayef bin Eid Badr. (2015) Evaluation of Saudi-Emirati Economic Relations and their Role in Security Stability, Master Thesis, College of Strategic Sciences. Naif Arab University for Security Sciences, Riyadh
- Ministry of Finance and National Economy, Foreign Trade Statistics, Annual Report for the Years 1975-1981, Department of Statistics, (The Kingdom of Saudi Arabia, 1982)
- Dagher, Mahmoud Muhammad. (1986). Using the method of coordinating development plans and programs in support of economic cooperation among the countries of the Arab Gulf, 1st Edition, Center for Arab Gulf Studies.
- Dais, Ismail Ahmad. (1990). US Foreign Aid and Saudi Foreign Aid 1970-1987, Journal of Saudi Studies, Issue (4). Riyadh
- Al-Rumaihi, Muhammad Ghanem. (1970) Petroleum and Social Change in the Arabian Gulf, Al-Wehda Foundation for Publishing and Distribution. Kuwait
- Al-Sharaa, Hussein Ali. (1984). The Saudi Economy in the Stage of Building Infrastructure 1971-1982, 1st Edition, Saudi Arab Society for Culture and Arts, Riyadh
- Al-Otaiba, Mane Saeed. (1990). Petroleum and the Economies of the United Arab Emirates, Volume (1)
- Al-Fawzan, Muhammad Barak, Al-Shamil in the Laws of the Kingdom of Saudi Arabia, 1st Edition, Law and Economics Library. Riyadh
- Al-Qasimi, Jassim Muhammad. (1986). Economic Integration between the Countries of the Gulf Cooperation Council - Its Achievements and Challenges, 1st Edition, Arab Development Center, (Beirut,)