SAUDI ARABIA'S TRADE AND ECONOMIC RELATIONS WITH THE GULF COUNTRIES

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This article analyzes Saudi Arabia's trade and economic relations with the Persian Gulf countries, with particular attention to the role of oil in shaping regional economic development. It examines Saudi Arabia's position in intra-Gulf trade, the impact of the 2008–2009 global financial crisis, and the importance of oil and petrochemical exports in the Kingdom's economy. The study also highlights Saudi Arabia's growing efforts toward economic diversification and foreign investment attraction.

Key words

Saudi Arabia; Persian Gulf; Gulf Cooperation Council; oil economy; international trade; economic diversification; foreign direct investment; energy resources; regional economic relations; global energy markets

Introduction

Saudi Arabia is one of the largest states in the Gulf region and the largest Arab country on the Arabian Peninsula, with an area of about 2.15 million square kilometres. Some of Saudi Arabia's southern and southeastern borders were historically disputed or only gradually delimited through bilateral agreements. Among the country's major industrial and economically developed urban centers are Jubail, Yanbu, Riyadh, Jeddah, Dammam, Al-Qassim, Al-Ahsa, and Mecca.

Within the Arab world, the territory of Saudi Arabia and the broader Arabian Peninsula is often referred to as the "Island of the Arabs" (Jazirat al-Arab). Due to the

vast desert landscapes that dominate large parts of the peninsula, certain boundary lines in remote areas were historically undefined or only gradually established through bilateral agreements.

Saudi Arabia shares land borders with Jordan, Iraq, Kuwait, Qatar, the United Arab Emirates, Oman, and Yemen.

Due to the high dependence of its economy on oil revenues, the 2008–2009 global financial crisis negatively affected Saudi Arabia primarily through the sharp decline in oil prices and export revenues.[1] In response to declining oil prices, the member states of the Organization of the Petroleum Exporting Countries (OPEC) were compelled to reduce oil production in order to stabilize global market prices. In 2008, OPEC members reached an agreement to cut their collective oil production by approximately 4.2 million barrels per day.[2]

For Saudi Arabia, this decision translated into a reduction of approximately 17 percent in its oil production levels.[3]

Economic Integration and Trade Relations within the Gulf Region

Nevertheless, the rapid development of the country's industrial sector over the past three decades has significantly strengthened its position within the global economy. In particular, Saudi Arabia has approached the level of developed economies in several key indicators, including gross domestic product (GDP), GDP per capita, per capita industrial output, and the volume of industrial exports.[4]

From an economic-historical perspective, the foundations of the economies of the Persian Gulf countries within the global economic system were largely established from the mid-1970s onward, and since then they have continued to develop at a relatively rapid pace. In particular, the availability of oil resources has played a

[1] IMF, Saudi Arabia: 2009 Article IV Consultation

[2] OPEC, December 2008 conference/press release on production adjustments.

[3] For Saudi Arabia, this decision translated into a reduction of approximately 17 percent in its oil production levels.

[4] World Bank. World Development Indicators: Saudi Arabia – GDP per capita (current US$)

decisive and strategic role in the formation and rapid expansion of these economies. Countries such as Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and Bahrain have distinguished themselves within the global economy through the extraction and export of crude oil, as well as through their distinctive models of economic development, setting them apart from many other Arab states.

At the beginning of the twentieth century, however, a number of political conflicts in the Arab world had a negative impact on the national economies of several Arab countries. Nevertheless, during the 1970s and 1980s, the process of industrialization accelerated significantly in the Persian Gulf and North African countries. Over time, the so-called “oil factor” became the principal source of revenue and a key driver of national economic development in countries possessing substantial hydrocarbon resources. Consequently, the development of the oil industry, including oil extraction, refining, and the production of petroleum-based consumer goods, gradually became the central pillar of their national economic systems.

It should also be emphasized that under conditions of globalization, the service sector has been steadily increasing its share in the national economies of the Persian Gulf countries within the broader Middle East region. During the 1990s and the early twenty-first century, several countries in the Gulf region experienced significant economic growth. In the contemporary era of globalization, the Persian Gulf region occupies an increasingly important position in the global economy. Over the past decade, economic growth in the Arab countries of the region has generally ranged between 3 and 6.4 percent annually. Each of these states has developed a distinctive economic model and represents an important partner for external economic cooperation.

The oil sector continues to function as the principal donor industry for the economies of most Gulf countries. In recent years, the region has also witnessed the emergence of several major financial centers. In terms of economic freedom, Qatar and

the United Arab Emirates rank among the leading countries in the region. The principal trade partners of the Gulf countries include the European Union, the United States, and Japan.

Another important factor contributing to Saudi Arabia's economic development is the country's considerable endowment of natural resources. In particular, Saudi Arabia possesses one of the largest proven oil reserves in the world; historically, these reserves have been estimated to account for approximately 15-17 percent of global oil reserves.[5]

The Saudi government is actively seeking to increase the inflow of foreign direct investment (FDI) into key sectors of the national economy, including energy, water supply, telecommunications, automobile manufacturing, shipbuilding, and transportation. In 2008, Saudi Arabia accounted for 47.9 percent of the total exports of the Persian Gulf countries, while in 2009 this share declined to 43.4 percent. In the same year, the total export volume of the region decreased sharply due to the impact of the 2008 global financial crisis, which affected the Saudi economy more significantly than that of other Gulf countries.

Saudi Aramco remains the central actor in the development of the Kingdom's oil and gas sector and invests heavily in upstream, downstream, and petrochemical capacity. The country currently operates seven oil refineries, which together process up to 90 million tons of crude oil annually[6]. Historically, the Saudi oil industry developed under concession arrangements, but it is now governed through a broader

[5] Worldometer. (n.d.). Saudi Arabia oil reserves, production and consumption statistics. Retrieved May 6, 2026, from https://www.worldometers.info/oil/saudi-arabia-oil/

[6] Saudi Arabian Oil Company. (2025). Annual report 2024. Aramco. https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2024-english.pdf

framework of state ownership, ministerial regulation, and sector-specific legal instruments.

In 2009, oil accounted for approximately 56 percent of Saudi Arabia's total exports. Under the conditions of contemporary global economic integration, the process of industrialization has become increasingly important for the economies of developing countries in the Middle East region. Each country in the region pursues its own national development strategy, policy framework, and model of economic diversification in order to strengthen its industrial sector and reduce excessive dependence on raw material exports. The foundations of the economies of the Persian Gulf countries within the global economic system were largely established in the mid-1970s, and since then these economies have continued to develop at a relatively rapid pace. In particular, the availability of oil resources has played a decisive role in the formation and expansion of their national economies.

Countries such as Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and Bahrain distinguish themselves within the global economic system through the extraction and export of crude oil and through their distinctive models of economic development, which set them apart from many other Arab economies. At present, the service sector is steadily increasing its share within the national economies of the Persian Gulf states.

The industrially developed states of the Persian Gulf region, proud of their economic independence and endowed with abundant natural and mineral resources-particularly oil and natural gas, are closely integrated into the global energy system. Furthermore, the opening of the Suez Canal in Egypt in 1869 significantly enhanced the development of the region's external economic relations, facilitating greater integration of the Gulf economies into international trade and global markets.

By the late twentieth century, countries located in Western Asia and the Persian Gulf region accumulated substantial capital through the export of crude oil,

which enabled them to secure a distinctive financial position within the global economy. In particular, the economic development of countries such as Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, and Bahrain has largely been driven by foreign currency revenues obtained from oil exports. These revenues have been directed toward the development and diversification of other sectors of the national economy, a trend that is expected to continue in the foreseeable future. In recent years, significant economic diversification processes have been implemented in the industrial sectors of Saudi Arabia, the United Arab Emirates, and Qatar.

Saudi Arabia is a member of nearly all major international organizations, including the United Nations (UN), the League of Arab States, the Organization of Islamic Cooperation (OIC), the Organization of the Petroleum Exporting Countries (OPEC), the Organization of Arab Petroleum Exporting Countries (OAPEC), and the Gulf Cooperation Council (GCC), where it often plays a leading role. It is also well known that Saudi Arabia occupies a strategically significant position from an economic-geographical perspective, being located at the intersection of three major continents—Asia, Africa, and Europe. Several international transportation and communication routes pass through or near its territory.

Historically, this geographic factor has played an important role in shaping Saudi Arabia's position in political, trade-economic, and cultural relations, and it continues to retain its significance today. Moreover, Saudi Arabia's favorable geographic location facilitates the expansion of its trade and economic relations with various countries around the world and contributes to relatively lower transportation costs for exported goods.

In examining Saudi Arabia's economic relations with other Gulf countries, it is evident that the Kingdom has remained one of the region's major trading economies. According to World Bank WITS data, Saudi Arabia's total merchandise exports amounted to US$312.999 billion in 2008, US$191.810 billion in 2009, US$250.577

billion in 2010, and US$364.139 billion in 2011. Oil and petrochemical products constituted the dominant share of the country's exports throughout this period. Within the region, the United Arab Emirates and Bahrain are among Saudi Arabia's principal trading partners. The UAE and Bahrain were among Saudi Arabia's main intra-GCC trade partners during the period under review. It clearly indicates that Saudi Arabia's primary regional trading partners are the United Arab Emirates and Bahrain, followed by Qatar, Kuwait, and Oman.

Between 2008 and 2013, the United Arab Emirates and Bahrain consistently remained Saudi Arabia's leading regional trade partners. In 2009, exports to these two countries accounted for approximately 80 percent of Saudi Arabia's total exports to the Gulf region.

In terms of imports, Saudi Arabia also acts as one of the major importing countries in the region. The city of Dubai in the United Arab Emirates has created extensive opportunities for foreign investors, while Saudi Arabia has likewise introduced various incentives and conditions for Emirati investors. The principal areas of economic cooperation between Saudi Arabia and the United Arab Emirates include tourism, oil and gas, and construction. The Saudi government provides numerous opportunities for foreign investors, allowing them either to establish enterprises in Saudi Arabia with 100 percent foreign capital or to operate in partnership with local investors through joint ventures[7].

Conclusion

Saudi Arabia possesses sufficient financial capacity to import a wide range of goods, which significantly facilitates its participation in international trade. The Kingdom's trade and economic partners can be conditionally divided into several major groups: the United States (its principal economic partner); the countries of

[7] Ministry of Investment Saudi Arabia. (n.d.). Invest Saudi. Retrieved May 6, 2026, from https://www.saudiinvestment.gov.sa/

Western Europe, including the United Kingdom, Germany, and France; the Arab states of the Persian Gulf; and the countries of Southeast and East Asia, such as Japan, China, South Korea, Singapore, and Malaysia. These partners play an important role in shaping Saudi Arabia's external economic relations and in supporting the diversification of its national economy.

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