



ECONOMIC COOPERATION PRACTICES AND DEVELOPMENT
TRENDS IN MIDDLE EASTERN COUNTRIES

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Abstract: This thesis analyses economic development patterns and regional integration processes in the Middle East, using Saudi Arabia, the United Arab Emirates and Qatar as reference economies. It compares the scale of output, the sectoral composition of gross domestic product, hydrocarbon endowment and the geography of foreign trade, and it links these structural features to the depth of regional integration. The findings show that the three economies differ less in their dependence on hydrocarbon rents than in the way those rents are converted into non-hydrocarbon activity, and that low intra-regional trade remains the central constraint on integration in the region.

Keywords: Middle East, economic development, regional integration, Gulf Cooperation Council, hydrocarbon dependence.

Introduction

The Middle East occupies a strategic position at the junction of Asia, Europe and Africa and holds a large share of the world reserves of oil and natural gas. Both factors have shaped the economic trajectory of the region for more than half a century, turning it into a hub of international trade, transport and investment. Development outcomes across the region, however, have been far from uniform. Some states have grown on the basis of hydrocarbon rents, while others have built their growth on trade, tourism, manufacturing and financial services. In 2025 the nominal gross domestic product of Middle Eastern countries stood at approximately USD 5.5 trillion, the equivalent in purchasing power parity terms at about USD 13.8 trillion, and the population of the region at roughly 371 million people. The region is usually defined as comprising Turkey, Iran, Iraq, Syria, Israel, Jordan, Lebanon, Saudi Arabia, Yemen, Oman, the United Arab Emirates, Qatar, Kuwait, Bahrain and Palestine, with Egypt and Cyprus included in broader definitions.

The purpose of this thesis is to identify the economic development patterns of the Middle East and to assess the state of regional integration processes. Saudi Arabia, the United Arab Emirates and Qatar are selected as reference cases because they concentrate the largest share of regional output,



capital and trade flows within the Gulf Cooperation Council and therefore set the pattern that other economies of the region respond to. The analysis compares the scale of output, the sectoral structure of gross domestic product, the hydrocarbon base and the direction of external trade of these three economies, and then relates the resulting structural picture to the observed level of regional integration.

Literature review

Research on the economies of the Middle East has consistently connected regional development outcomes to the interaction of globalization, hydrocarbon revenues, infrastructure investment and domestic economic reform. Wilson argues that the diversification policies and investment strategies of the Gulf states, in particular those of the United Arab Emirates, Saudi Arabia and Qatar, explain their emergence as regional economic centres, and that regional integration and economic cooperation have become increasingly important conditions of sustainable development in the region [1].

A second strand of the literature explains the structural limits of that development through the concept of the rentier state. Mahdavy and El Beblawi describe an economy in which a substantial part of government revenue originates from external rents rather than from domestic productive activity, with the result that the state distributes income instead of extracting it through taxation, and that the incentives to develop a broad tradable sector remain weak [2], [3]. This framework accounts for the persistence of narrow sectoral structures even in economies with high income per capita.

A third strand addresses integration itself. Lenz shows that regional economic cooperation arrangements are shaped by institutional choice and by the diffusion of organizational models rather than by economic complementarity alone [4]. Empirical assessments of the Middle East and North Africa point in the same direction: the region has persistently underperformed in intra-regional and non-oil trade relative to its share of world population and world output, which limits the depth of integration that formal institutional frameworks can deliver [5]. The present thesis follows this literature by treating structural composition and trade geography as the primary explanatory variables of regional integration outcomes.

Main Part

Gross domestic product is the first indicator of the divergence between the three reference economies. Saudi Arabia, the largest crude oil exporter in the world and the most active promoter of a post-oil agenda through the Vision 2030 program, recorded a gross domestic product of USD 1.24 trillion in 2024. The United Arab Emirates recorded USD 552 billion and has already completed the transition that Saudi Arabia is still pursuing, moving from an



economy that was approximately 70 per cent hydrocarbon based to one that is approximately 70 per cent non-hydrocarbon based. Qatar, at USD 218 billion, is the most hydrocarbon driven of the three and offsets that concentration through very high wealth per capita, the depth of its sovereign wealth funds and its dominant position in liquefied natural gas [6].

The ranking is explained by three factors. Saudi Arabia holds the highest output because of its large population of between 32 and 36 million, which provides both a labor force and a domestic market, because its economy already includes construction, retail, finance and manufacturing alongside oil, and because it is the largest oil exporter in absolute terms. The intermediate position of the United Arab Emirates reflects heavy diversification beyond oil, combining the commercial, tourism, real estate and financial services base of Dubai with the hydrocarbon wealth of Abu Dhabi. Qatar records the lowest output because its population is small, at around three million residents of whom approximately 300,000 are citizens, and because its economy is concentrated on the export of liquefied natural gas. The low ranking of Qatar is therefore a function of scale rather than of weakness.

The sectoral breakdown confirms this reading. In absolute terms Saudi Arabia produces around 9 to 11 million barrels of crude per day, against 3 to 4 million barrels for the United Arab Emirates and negligible crude output for Qatar, whose hydrocarbon wealth lies in natural gas. Saudi Arabia consequently holds both the largest hydrocarbon revenue base and the largest non-hydrocarbon economy in absolute size, even though the share of non-hydrocarbon sectors in its output is not the highest in the group [7]. The diversification model of the United Arab Emirates differs qualitatively: while the non-oil base of Saudi Arabia remains linked to government activity and to infrastructure-related manufacturing, the United Arab Emirates has shifted towards trade, financial services and re-export activity supported by Dubai as a regional logistics and commercial hub, with Abu Dhabi retaining a high dependence on oil revenue [8]. Qatar has the narrowest structure of the three, with hydrocarbons contributing more than one third of gross domestic product, because it lacks the scale of manufacturing, agriculture, retail and construction found in the other two economies and because its capital-intensive liquefied natural gas industry generates large revenue with limited labour input [9]. Table 1 summarises the comparison.

Table 1. Structural comparison of Saudi Arabia, the United Arab Emirates and Qatar, 2024

Indicator	Saudi Arabia		United Arab Emirates		Qatar	
Nominal	USD	1.24	USD	552	USD	218



GDP, 2024	trillion	billion	billion
Principal hydrocarbon	Crude oil	Crude oil and gas	Liquefied natural gas
Crude output, million barrels per day	9 to 11	3 to 4	Negligible
Hydrocarbon weight in the economy	Large absolute rent base, oil-led growth	Approximately 30 per cent of output	More than one third of output
Main non-hydrocarbon drivers	Government services, manufacturing, construction, retail, finance	Trade, financial services, re-exports, real estate, tourism	Narrow base, limited non-hydrocarbon activity
Stage of diversification	In progress under Vision 2030	Most advanced of the three	Least diversified of the three

Source: compiled by the author on the basis of [6], [7], [8], [9].

The composition and direction of external trade illustrate the structural differences even more clearly than aggregate output data. The energy export base of each state, crude oil for Saudi Arabia, a combination of crude oil and gas for the United Arab Emirates and liquefied natural gas for Qatar, determines not only the size of the economy but also the type of partner it relies on and the goods it must import in exchange. Table 2 summarises the main trade partners of the three economies and the principal export and import categories.

Table 2. Main trade partners of Saudi Arabia, the United Arab Emirates and Qatar, 2023 to 2024

Country	Main partners	Main exports	Main imports
Saudi Arabia	China, Japan, India, United States	Crude oil, refined products, petrochemicals, chemicals	Machinery, electronics, vehicles, capital goods, textiles, aircraft, defence systems
United Arab Emirates	China, India, United States, Saudi Arabia	Crude oil, re-exports, gold, aluminium, services	Electronics, machinery, gems and jewellery, textiles, aircraft, defence equipment, watches, pharmaceuticals



Qatar	China, Japan, South Korea, India	Liquefied natural gas, condensates, naphtha, fertilizers	Electronics, machinery, vehicles, ships, steel, food, labour services
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Source: compiled by the author on the basis of [10], [11].

Each of these relationships rests on a distinct structural logic. The link between Saudi Arabia and China is built on long-term crude contracts concluded by Aramco, on refining capacity configured for Saudi heavy crude and on Chinese participation in Vision 2030 projects. The dependence of Japan on imported energy sustains a long-standing exchange of oil for manufactured goods. Indian demand is driven by population growth and by the presence of a large migrant community, while the interest of the United States has shifted from oil supply towards security cooperation and arms sales as domestic shale production reduced its import needs. None of this trade moves overland: it is carried by tanker through the Strait of Hormuz and by container shipping.

The trade profile of the United Arab Emirates reflects its position as a logistics and re-export economy rather than a production economy. The port of Jebel Ali functions as a re-export platform for Chinese goods destined for Africa and South Asia, historical commercial and expatriate ties sustain the gold and jewelry trade with India, the relationship with the United States combines crude and aluminum exports with imports of aircraft and defense equipment, and proximity within the Gulf Cooperation Council supports re-export and services trade with Saudi Arabia. Almost all of this activity moves through the ports and airports of Dubai and Abu Dhabi.

The Qatari pattern is the narrowest of the three and follows almost entirely from its position as one of the largest exporters of liquefied natural gas in the world. Its relationships with China and Japan take the form of long-term supply contracts matched by imports of vehicles and industrial machinery. Exports to South Korea are matched by imports of ships and steel, a natural complementarity given that South Korea is the leading builder of liquefied natural gas carriers, many of them for the Qatari fleet. India receives gas and fertilizers and supplies food and a large volume of labor services, since Qatar depends heavily on South Asian migrant workers in construction and services. Nearly all Qatari exports leave through the terminals at Ras Laffan.

These structural features set the boundaries of regional integration. The Middle East and North Africa region accounts for 5.5 per cent of world population and 3.9 per cent of world gross domestic product, yet its share of non-oil world trade is only 1.8 per cent [5]. Intra-regional trade is correspondingly low. The explanation lies in the composition of output rather than in the absence of institutions: economies whose exports consist of



hydrocarbons and whose imports consist of manufactured goods and capital equipment are complementary to markets in Asia, Europe and North America and competitive with, rather than complementary to, one another. Formal frameworks such as the Gulf Cooperation Council therefore operate against a weak underlying commercial base, and the deepening of integration depends on the progress of diversification programs such as Vision 2030 and on the expansion of services, logistics and non-oil manufacturing, which is precisely the direction in which the United Arab Emirates has moved furthest.

Conclusion

The comparison of Saudi Arabia, the United Arab Emirates and Qatar shows that the economic development pattern of the Middle East is not a single model but a set of trajectories that differ in scale, sectoral depth and external orientation. Saudi Arabia combines the largest hydrocarbon rent base with the largest non-hydrocarbon economy in absolute terms and is diversifying from a broad but still state-linked base. The United Arab Emirates has advanced furthest in structural terms by converting rent into trade, financial services and re-export capacity. Qatar has achieved very high income per capita on the narrowest sectoral base of the three. Regional integration remains shallow because the export structures of these economies are directed outward and are not complementary to one another, and the share of the region in non-oil world trade remains far below its share of world output. Deeper integration will therefore follow from the progress of diversification rather than from institutional design alone.

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