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Cover photo: Saudi Crown Prince Mohammed bin Salman and Emirati Crown Prince Mohammed bin Zayed during a meeting in 2018 // Photo credit: Mohammed bin Zayed X account.



The Sana'a Center for Strategic Studies is an independent think-tank that seeks to foster change through knowledge production with a focus on Yemen and the surrounding region. The Center's publications and programs, offered in both Arabic and English, cover political, social, economic and security related developments, aiming to impact policy locally, regionally, and internationally.

Tensions between Saudi Arabia and the United Arab Emirates predate the recent confrontation in Hadramawt, stemming from a deeper rift that was already apparent at the start of the coalition's campaign in Yemen. From the outset, the two powers pursued distinct goals, influenced by broader economic ambitions and long-standing strategic competition that extended well beyond Yemen's borders. The friction between Saudi Arabia and the UAE has undermined efforts to free Yemen from the grip of the Houthi group (*Ansar Allah*), fueling divisions among local actors. Ultimately, it is Yemen and the Yemeni people who have paid—and continue to pay—a heavy price.

Saudi Arabia entered the war primarily to protect its southern border from the threat of a group linked to Iran. The UAE had its own reasons. The first was to keep Saudi Arabia occupied with another enemy. Although relations between the two countries appeared normal in 2015, unresolved issues have persisted since the UAE's founding. The second reason was the UAE's economic ambitions, which in Yemen extended to the strategic Bab al-Mandab strait, the port of Aden, and the island of Socotra. Abu Dhabi also attempted to extend its influence over the telecommunications sector in areas under government control through an **agreement** between the Emirati company NX Technologies and the government in August 2023, but the deal was later halted due to public pressure.

Economic competition has been a primary factor in the rift between Saudi Arabia and the UAE. In May 2009, the UAE announced its **withdrawal** from the Gulf single-currency project after Saudi Arabia was chosen as the headquarters of the proposed central bank. The decision ultimately resulted in the failure to establish a unified currency. Although the UAE provided other justifications for its withdrawal, the prevailing view is that it sees itself as the financial center of the Gulf.

The rivalry intensified with Saudi Arabia's launch of its Vision 2030 program in April 2016, an initiative aimed at creating a prosperous economy, diversifying revenue sources, attracting foreign investment, and developing projects in tourism, real estate, transport, and logistics sectors. The UAE viewed this as a serious economic threat, given Saudi Arabia's geographical location, size, and vast financial resources.

Over the past five years, the UAE has sought to establish major tourism and logistics projects of its own to compete with Saudi Arabia, including the US\$35 billion Ras Al-Hekma project in Egypt, as well as a number of port management and logistics service projects. In Yemen, the UAE sought to gain control—through its allies—of the port of Aden, which had been managed by Dubai Ports World from 2008 until the government, under then-President Abdo Rabbu Mansour Hadi, canceled the agreement in August 2012. The UAE also sought to control the Bab al-Mandab, the southern gateway to the Red Sea, through its allies, who maintain a military presence on the coast and on the nearby Mayyun Island.

Riyadh has taken its own steps to secure economic supremacy. In February 2021, the Kingdom **announced** a policy prohibiting government entities from contracting with companies whose regional headquarters are not in Saudi Arabia. The policy was intended to help diversify the economy, create local job opportunities, and increase foreign investment. But it was also an effort at regional economic consolidation. The regional headquarters of many global companies were located in the UAE, which accordingly viewed the measure as targeting its own foreign investment. On January 26, the Saudi Minister of Investment stated that more than **700 global companies** have established their regional headquarters in Saudi Arabia.

Competition in artificial intelligence and data centers represents a new front in this conflict, as both countries seek to become the leading regional hub in these sectors. According to PwC **estimates**, the contribution of artificial intelligence to the UAE's GDP by 2030 will be US\$96 billion (13.6 percent), while in Saudi Arabia it will reach US\$135.2 billion (12.4 percent).

In its most audacious move to date, the UAE supported the Southern Transitional Council (STC) as it sought to extend its control over Hadramawt and Al-Mahra in December, a maneuver that could have advanced a secessionist project and undermined Saudi influence in Yemen. Hadramawt has been a longstanding red line for Saudi Arabia - the two share a long border and significant social and political ties. Riyadh has previously explored extending an oil pipeline through Hadramawt and securing a maritime outlet on the Arabian Sea.

Ultimately, by shifting economic competition into a military and political confrontation in eastern Yemen, the UAE raised the stakes too high. Saudi Arabia responded by expelling and dissolving the STC and reasserting its dominant position across southern Yemen. But Abu Dhabi is unlikely to relinquish what's left of its investment in the country. Despite the UAE's announcement of its withdrawal from Yemen, the political and economic rivalry between Saudi Arabia and the UAE will persist, and Yemen will not be immune to its machinations.

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