

# CHAPTER I

## INTRODUCTION

### A. Background

The world economy has been through many revolutions since long time ago until now. Similarly, in terms of economic activities such as transacting in exchanging the selling value of goods or services in the period of the transaction begins with the term barter i.e. exchanging goods or services with goods or services but over time the means of transaction are now converted into a fraction of money or exchange rate agreed by the world. In addition to transactions, Trade and Investment also evolve over time. Early began trade developed only domestically extended throughout the world. Economic distribution also develops over time from sea, land to air. Many things have influenced the process of change including the discovery of new technologies, revolution of learning methods, and development of human resources.

The economics aim to encourage human life in meeting the needs of daily life and also the future. The existence of encouragement to get the welfare of life encourages or makes many people compete in getting maximum results in their economic activities. Similarly, individuals at the national level also race and race for the welfare of their people and raise useful economic standards for the future in the country. The country's economic needs can be obtained by import and investment export activities. A rise in the size of the bigger market, as measured by an increase in the imports of a certain type of good into a country, will increase the country's ability to produce these goods. This possibility is based on a comparison of production costs + transportation expenses in the exporting country with costs incurred if the commodities are manufactured in the importing country. If the exporting

country's production costs plus transportation expenses are higher than the importing country's production costs, the investor will relocate production to the importing country (Yand, 2004). In many countries, international trade is one of the main factors to increase GDP (Hasoloan, 2013). International trade allows countries to expand their markets and gain access to commodities and services that might otherwise be unavailable in their own country. The market has become more competitive as a result of international trade. As a result, pricing becomes more competitive, and consumers receive a lower-cost product (Heakal, 2022).

Yet the Abraham Accords are motivated by quite different factors than the Israeli-Egyptian (1978) or Israeli-Jordanian (1994) peace agreements, which were based on the principle of peace in exchange for land occupied by Israel in 1967. In contrast to the treaties of the 1970s and 1990s, the Abraham Accords largely ignore the Palestinian question. They are bilateral agreements that address security interests prompted by the Iranian issue, thereby bringing these two Gulf states closer to Israel, as well as economic and strategic interests. They also give Israel unprecedented direct access to the Arabian Peninsula and the Persian Gulf (Fatiha, 2020).

During 1948, the Arab League passed a boycott system against the state of Israel, which was centered in Cairo, Egypt. This was shown as a protest that had been formed and the legalization of the state of Israel unilaterally by the mandate of the British Empire. This boycott is also aimed at all forms of cooperation with Israel, both civil and private. (A. Weiss, 2013). However, the United Arab Emirates is unlikely to lift a major boycott of Israel, open trade or official contacts with Israel, or take further steps in the peace process until Israel and Syria reach a fundamental agreement. Even if the Israel-Syria deal does not happen until after the 1996 Israeli elections, the UAE will most likely wait, reluctant to take the lead in dealing politically and economically with Israel (Rough W. A., 1997).

Furthermore, normalizing relations between the three nations and Israel is a contradiction of their commitment to the Arab Peace Initiative (API) 2002 (UN, 2002), which is the League of Arab States' official position. In exchange for a complete withdrawal from the occupied West Bank and Gaza Strip and the formation of an independent and sovereign Palestinian state with East Jerusalem as its capital, the API demands an end to the war between the Arab world and Israel. Even though Israel has abandoned the initiative from its inception, the normalizers continue to agree on diplomatic relations with Israel. Their decision to normalize was made solely to benefit their own interest (Harb, 2020).

One of the example of Free trade between Israel and United Arab of Emirates. As well as Israel do in the Gulf States, not exception for United Arab Emirates. And Surprisingly in the 2020, The enmity between Israel and the Gulf states has just begun to fade. All members of the Gulf Cooperation Council (GCC), including Saudi Arabia, the United Arab Emirates (UAE), Qatar, Bahrain, Oman, and Kuwait, have expressed a renewed interest in establishing connections with Israel and Jewish figures in the United States (source: article biru).

The emergence of open, friendly relations between Israel and a number of Gulf Arab states has become an important new trend in the Middle East in the twenty-first century. In a region set by widespread upheaval and civil war, shifting geopolitical alignments, and the competition between rival coalitions seeking to expand their spheres of influence and determine outcomes in weak and fractured states of the region, this dynamic has taken on a powerful strategic imperative for the Gulf side, in particular. While a formal relationship with Israel has long been held in check by the intractability of the Israeli-Palestinian conflict, the Palestinian national movement's diminished capacity to influence regional politics has given the Gulf states wider latitude to prioritize their national interests over "Arab" ones. (Rahman O. , 2021)

The agreement between Israel and the Union of Arab emirates on August 13, 2020 has proven the harmonious relationship between Israel and the Union of Arab emirates. In fact, previously the Union of Arab emirates did not have a harmonious relationship with Israel. The interests behind the agreement stem from the personal interests of each party. This agreement occurred in economic terms as well and was a major factor in the normalization of relations between the two countries. Thus, this research aims to determine the interests of the UAE towards Israel. The UAE has a deep interest in expanding its cooperation with Israel in various fields, especially in political-security. Nevertheless, Israel and the UAE share multiple interests, including the opposition to Iran, the battle against terror, the possibility of opening trade routes between them and from the Mediterranean to the Gulf, and cooperation on civil issues such as tourism, medicine, research and environment. In order for the two countries to fulfill this potential, Israel must make progress towards reaching peace with the Palestinians.

In the previous paper also discussed about the factor behind the normalization of Israel and United Arab Emirates (Nurul, 2022). But this research is different from the previous research because the author would like to give more explanation about motivation behind the decision between the Israel and the United Arab Emirates in carrying out their bilateral economic relations, in an effort by Israel to seek strength in the Middle East and the United Arab Emirates is considered to be the main gateway in opening the agreement. It is also a coalition between Israel and the Middle East in the fight against Iranian influence in the gulf state. In this agreement there is a personal national interest between Israel and the United Arab Emirates and this will be explained in this paper.

## **B. Research Question**

1. Why do the United Emirates and Israel want to commit to making the agreement?

## **C. Theoretical Framework**

### **1. Bilateral Cooperation**

Bilateral cooperation is cooperation carried out by two countries to fulfill the interests of both countries and to achieve common goals. Bilateralism is based on political and cultural relations carried out by two countries, for example:

1. Signing or agreement.
2. Ambassadors Exchange
3. State visits. (Perwita & Yani, 2005)

Bilateral cooperation is a political, cultural, educational and economic cooperation between two countries. Most international cooperation is done bilaterally. An alternative to bilateral relations is multilateral cooperation; involving many countries, and unilateral; when one country goes its own way.

Bilateral trade agreements allow states to gain access to each other's markets, resulting in increased commerce and economic growth. Whereas a set of norms in corporate operations is followed, the agreement also creates an environment that encourages equality. Bilateral agreements cover the following five areas:

1. Companies in countries with bilateral agreements benefited from the reduction of tariffs and trade-related taxes, especially for countries that thrive in a variety of industries.
2. Countries participating in the agreement would not offer low-cost products in order to win market share. They would not provide items at prices that are

- cheaper than actual production costs, to only increase prices even after they have conquered the competition.
3. Unfair subsidies would not be used by the governments. When a country subsidizes energy or agriculture, for example, producers would benefit from decreased costs, offering companies an unfair advantage when exporting the items.
  4. Exporters compete fairly field due to standardized corporate procedures such as labor regulations and environmental protection.
  5. The agreement stipulates that other exporters' innovative goods would not be stolen. Countries comply by copyright and intellectual property laws that already exist (CFI, 2020).

Cooperation between countries can occur in a variety of contexts. The majority of cooperative exchanges occur between two governments that share common interests or are confronted with similar difficulties. Each country follows a different model of collaboration, which is facilitated by international organizations and agreements. (Perwita & Yani, 2005). The main issue in international cooperation is whether the mutual benefits gained through cooperation can support the concept of unilateral and competitive action interests. International cooperation emerges as a result of the fact that international life involves a variety of topics including ideology, politics, social and cultural issues, the environment, defense, and security.

In this case, Israel and United Arab Emirates has made a joint and they also make some regulations, corporative exchanges in aim of gaining mutual benefits between two actors. Both of them share expansion in economic, military or security agreements, and also in the field of health. It has also been regulated in the Abraham Accord agreement which contains many rules and policies, which of course have been agreed upon by both parties. Even so, the agreement also involves the U.S. because it was the U.S. side that helped

implement the agreement, although the U.S. did not intervene in making the policy, it is more jutting to the U.S. reason to show itself in its partiality towards Israel and the United Arab Emirates.

As a consequence, cooperation is unattainable if a country could accomplish its own goals. As a result of each country's reliance on achieving its national goals, it appears as though cooperation will occur. To build a bilateral cooperation in the post-Cold War International System Transformation, each country has its own goals, thus each country formulates a strategy that is concerned with the interests of each country. (Manan, 2009) "The primary principle utilized in bilateral diplomacy is that a country will pursue its national interests in order to obtain maximum benefits, and the only approach is to develop strong and lasting connections between countries." (Rana, 2007)

## **2. Regional Security Complex Theory**

In the book *Global Politics of Regionalism* written by Louis Fawcett, the term of Regionalism could be described as multidimensional form of unifying goals in embracing economics, cultural, political achievements, thereby expanding understanding of regionalism is apart from free trade agreements and security regimes. In addition, the aim of Regionalism cannot be separated from the unit of states that are classified by their geographically tied which incorporated the resemblance, influence, and partnership (Fawcett, 2005).

The concept of a regional security complex discusses the concentration of security in geographically defined areas. Security issues are difficult to spread widely, and threats are very likely to emerge within the region. The security of each actor in an area interacts with the security of other actors. There is usually a high degree of security interdependence within a region; interdependence across regions does not occur. That is what defines a region and makes regional security a

unique field of study. Sometimes a peripheral country separates two regions, for example Afghanistan, which is located between the Middle East and South Asia. The region should be treated as a small system to which all theories of international relations are applicable, e.g. balance of power, polarity, interdependence, system of alliances, etc. (Buzan & Wæver, 2003, p. 45)

In a Regional Security Complex, problems regarding the security of the countries concerned are closely related so that problems regarding national security cannot exist without taking into account regional security, although there is dependence between countries in a region, it does not mean that a harmonious situation will be achieved, even relations between countries within a region. The region is always influenced by various things, such as: the balance of power, alliances with other countries and the entry of an external force in the region. To analyze the dynamics of an area, Buzan explained that there are four variables that make up the core structure of an RSC. The first is geographical conditions, namely distinguishing regions between each region, for example Asia which is divided into East Asia, West Asia, South Asia and Southeast Asia. Second, Regional Security Complex is the structure of anarchy that is influenced by autonomous rights between two or more parties. Third is Polarity means contribution of power from each units or states which form the direction of policy in those countries. And the last is social constructions involve amity (companionship) and enmity (feud) among the countries in the region. (Buzan & Wæver, 2003, p. 53)

The function for RSCT is as a framework organizing empirical studies of regional security. There are four levels of analyzing the interrelate of study and the regional security. The four levels are: First is domestic level, domestically states measure their generated vulnerability to define their policy for overcoming their security fears towards other region. Second is state to state level which applies to relations between states



only. Then the third level is regions to regions relation, this analysis is limited because RSCT only focuses on internal interactions, but this level can be increased if there is an imbalance situation. The fourth level is the region's role of global powers which means the interplay between the global and regional security structures. (Buzan & Wæver, 2003, p. 51)

Related with the study of this paper, one of the external factor The implementation of the cooperation between Israel and United Arab of Emirates is influenced by geographical aspects related to military threats such as those carried out by Iran. It is an indirect initiative for Israel and the United Arab Emirates to form a coalition to meet Iran's military movements that are considered a security threat to the Arabian Peninsula country and its envired countries. and this would likely poses as a threat to Iran (Detik, 2020). The United Arab Emirates has previously taken a tough stance on Iran and, along with Israel, backed US President Donald Trump's 2018 decision to leave a landmark deal limiting Iran's nuclear activities in exchange for the lifting of international sanctions. (BBC, 2021)

Related with the theory, the aim of the bilateral relations between Israel and United Arab of Emirates is necessarily related with the security condition. As one of the neighbor country, both Israel and United Arab Emirates wants to establish the conducive and peaceful condition around the states, so that the implementation of the other cooperation field between these country like goods exchange, politic visits, education exchange and whatsoever could accomplished properly. And then geographically, the distance of location of both countries classified as neighboring countries, although they are quite different in culture and race but as long as they have same interest, it would not be the obstacle for both countries to actualize the relations. Moreover, both countries are located in the same region, namely Middle East.

## **D. Hypothesis**

The occurrence of this bilateral agreement are:

1. Israel has an interest in exerting influence over the Gulf State. (it's one of American mission to liberate the Arab world in order to)
2. the United Arab Emirates wants to enter into a coalition with Israel as a form of countering Iran

## **E. Research Method**

1. The Analysis Data Method

The approach in this study uses a qualitative approach, where this research intends to understand the phenomena experienced by the subject of the study, such as behavior, motivation, action, and perception, and these are analyzed as a whole and by way of description which is formed in words. and language (Moloeng, 2018). According to Bogdan and Taylor quoted from the book *Qualitative Research Methodology* by Prof. Dr. Lexy J. Moleong, M.A., qualitative methodology is a research procedure that produces descriptive data in the form of written or spoken words from people and observable behavior.

As previously stated, the aim of this study is to gain a better understanding of Israel's and the United Arab Emirates' Arab behind-the-scenes agendas in their trade and diplomatic relations. The study was conducted using a qualitative framework with a disciplined configurative case studies approach to achieve the goal. (George & Andrew, 2005) The mentioned approach of case studies aims to explain a certain

event or phenomena using an established theory. This article addressed official documents from related governments, credible literatures, and press releases from relevant stakeholders in order to address the research question.

## 2. The Data Collection Method

This research consists of two types of data collection methods, as follows;

- a. Internet Based Research, researchers who research and collect data by tracing information through news sources of articles that could only be obtained through websites on the internet. The information obtained is then processed into the source of this research. Researchers also check articles and information for references by using relevant sources and trusted websites, so that researchers and academics can obtain relevant and guaranteed information.
- b. Document based Research, also referred to as qualitative method research. This is related to the study of sources, which are mostly sourced from or contained in libraries, which include legal reports, legislation, textbooks, legal journals and so on. The researcher assesses the available literature in an attempt to find the required answers or what has been written about a particular subject. Researchers seek to "immerse" themselves in the subject matter and develop contemporary concepts that significantly enhance their understanding and clarification of reality.

Document analysis is a systematic procedure for reviewing or evaluating documents—both printed and electronic (computer-based and Internet transmission) materials. Like other analytical methods in qualitative research, document analysis requires that data be examined and interpreted to gain meaning, gain

understanding, and develop empirical knowledge (Corbin & Strauss, 2008). The document contains text and images that have been recorded without the intervention of the researcher. Atkinson and Coffey (1997) refer to documents as 'social facts', which are produced, shared and used in a socially organized way (Atkinson & Coffey, 1997, p. 47)

## **F. Limitation**

In this research, the researcher would like to explain and focus on the factors which influence the bilateral agreement between Israel and the United Arab Emirates. The explanation is likely about the external factors and also internal factors and hopefully the research will achieve the answer of the research question. Other than that, the researcher would also provide the whatsoever agreements and cooperation between The United Arab of Emirates and Israel.

## **G. Writing Purpose**

### **1. For Researcher**

Based on this research, the study about factors which influence the bilateral agreement between Israel and the United Arab Emirates are encouraging the author to understand more about the dynamic economic situation of the Arab States, especially understanding the altered relation with Israel. Because, Normalization of relations between the United Arab Emirates and Israel is a very new thing and contradicts the previous history of relations between UAE and Israel, therefore this is very inspiring for researchers to examine the normalization. Indeed, the normalization between the United Arab Emirates and Israel countries could deliver another insight of creating a new chapter for the world economy and a new era for the Arab world.

## 2. For Academics

In this research, the author aims to explain and also describe the case of the factor of normalization between the United Arab Emirates and Israel from the economic and political perspectives. By delivering in the way of political economics, the author wants the audience to understand the political reason towards country agreement, especially in the case of Bilateral agreement between Israel and the United Emirates Arab. Hopefully, this research could provide useful information and add academic insight.

### **H. Guidelines**

In writing this research will be written work that will be divided into several chapters. Where each chapter will explain things that have to do with the title.

Chapter I, The author will discuss about the background, research question, theoretical framework, hypothesis, research methods, limitation, writing purpose, and systematics of writing.

Chapter II, The author will discuss the dynamic relations between United Emirates Arab and Israel and the factors which influence the emergence of the agreement between Israel and United Emirates Arab,

Chapter IV, At the end is The conclusion which provides the summary on what have been explained on Chapter I until Chapter II and suggestion.