



NATIONAL U.S.-ARAB CHAMBER OF COMMERCE

غرفة التجارة الأمريكية العربية الوطنية

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## POSTING FIRST RISE SINCE 2014, U.S. EXPORTS TO ARAB WORLD GROW 4 PERCENT TO \$62.64 BILLION in 2019

*UAE and Saudi Arabia Lead the Way / Qatar Moves Up to #3, and Morocco Joins the "Top Five" for the First Time*

*U.S. Exports to North America and Asia Fall, While U.S. Exports to Arab World Surge*

**Washington, DC** – According to new U.S. Government data analyzed by the National U.S. - Arab Chamber of Commerce (NUSACC), exports of U.S. goods to the Middle East and North Africa (MENA) rose in 2019 to \$62.64 billion, an increase of four percent over 2018 sales (\$59.96 billion). This is the first time since 2014 (\$71.47 billion) that U.S. goods sales to the MENA region have rebounded. (2019 sales, on a country-by-country basis, may be found [here](#).)

Among major economies in the region, sales to Qatar outpaced the others, with growth of 45.6 percent from 2018 to 2019. Smaller economies in the region showed significant growth, led by Somalia (113.19 percent), Libya (69.59 percent), Yemen (41.25 percent), and Djibouti (36.67 percent). At the other end of the scale, sales of U.S. goods to Syria plummeted by 82.89 percent in 2019 to \$8.6 million.

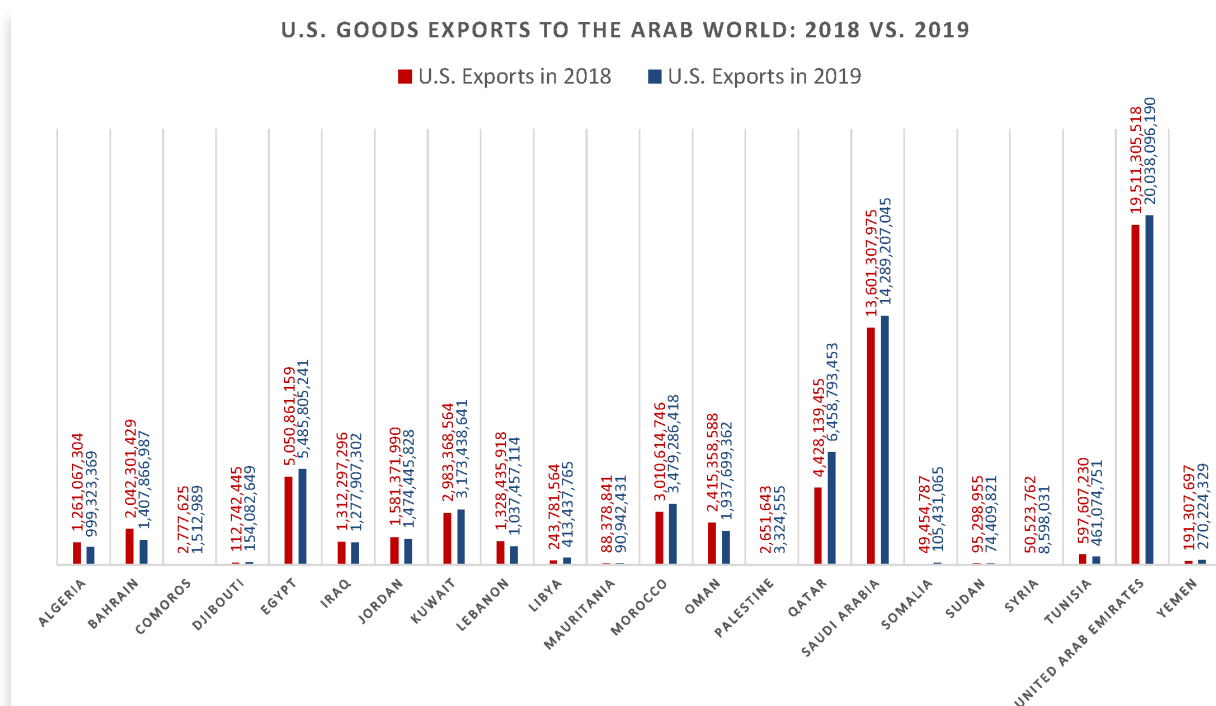
The United Arab Emirates (\$20.04 billion) and the Kingdom of Saudi Arabia (\$14.29 billion) continued to be the two largest destinations by far for U.S. goods in the Arab world. Together, these two countries accounted for 55 percent of total U.S. goods exported to the MENA region in 2019. The six countries constituting the Gulf Cooperation Council (GCC) nations accounted for three-quarters of U.S. goods exported to the Arab world in 2019, totaling \$47.3 billion in sales.



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“After several years of declining sales to the MENA region, American goods exports rebounded in 2019,” noted David Hamod, NUSACC’s President & CEO. “This is great news for American manufacturers, farmers, ranchers, and other innovators, whose order books have suffered in major markets around the world. The Arab world continues to be a strong destination for U.S. exporters.”

U.S. goods exports to the MENA region grew by four percent over the past year, perhaps helping to replace some of America’s lost export business to North America (Canada & Mexico) and Asia, the two largest destinations for U.S. exporters.

U.S. exports to Canada & Mexico fell from \$565.22 billion in 2018 to \$548.77 billion in 2019, a loss of 2.91 percent. For the Asia region (not including Arab countries), U.S. exports fell from \$523.71 billion in 2018 to \$508.27 billion in 2019, a loss of 2.94 percent.

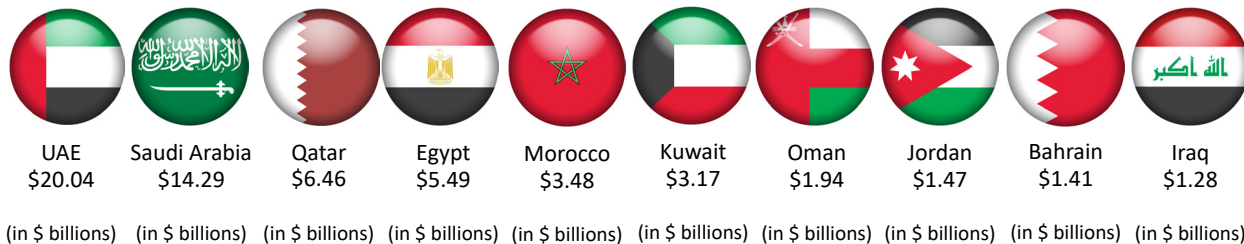


### “Top Ten” Export Destinations + Top Trends

The top five destinations in MENA for U.S. goods have historically revolved around energy-producing nations. But in 2019, Morocco broke into the “Top Five” for the first time, perhaps highlighting the effectiveness of the U.S. – Morocco Free Trade Agreement (FTA). The top five nations were: United Arab Emirates (\$20.04 billion), Saudi Arabia (\$14.29 billion), Qatar (\$6.46 billion), Egypt (\$5.49 billion), and Morocco (\$3.48 billion).

The “Second Five” destinations included Kuwait (\$3.17 billion), Oman (\$1.94 billion), Jordan (\$1.47 billion), Bahrain (\$1.41 billion), and Iraq (\$1.28 billion). It is notable that three of these five countries are Free Trade Agreement (FTA) signatories, suggesting – as in the case of Morocco – that the FTAs are giving a boost to medium-sized economies across the region.

#### The Top Ten Destinations for U.S. Goods Exports to the Arab World



The GCC countries, with significant security requirements and major infrastructure projects, continue to drive American exports to the region. U.S. sales to those six nations climbed from \$44.98 billion in 2018 to \$47.31 billion in 2019, representing steady growth of approximately five percent. Some of these nations are hosting signature global events – like Expo 2020 in Dubai and the 2022 FIFA World Cup in Doha – that offer major opportunities for American exporters.

### Global Factors Holding Back U.S. Exports to MENA

U.S. exports to the MENA region picked up in 2019, but they remained constrained by some key global factors that had an impact on international trade.

**Unpredictable Oil Prices** – Oil prices were somewhat volatile in 2019, making it difficult for planners in the Arab world to budget for big ticket projects that might require American products and expertise. The price of Brent crude oil, the international benchmark, averaged \$64 per barrel in 2019, down \$7 from its 2018 average. Lower oil prices also affected discretionary spending, which had a “ripple effect” across countries in the region (Egypt, Jordan, Bahrain, etc.) that are accustomed to largesse provided by their oil-producing neighbors.



Doha Sports City.

(Photo: Dreamstime)





**U.S. – China Trade War** – Trade relations between the U.S. and China deteriorated throughout much of 2019, depressing economic activity around the globe, including the MENA region. Tariffs had an impact on U.S. manufacturers that depend on Chinese suppliers, leading to higher costs for intermediate inputs, thereby making U.S. products less competitive in international markets like the Arab world. By September 2019,

according to an index of the Institute for Supply Management, U.S. manufacturing dropped to the lowest reading in more than 10 years. U.S. manufacturing began to pick up by year-end on the strength of U.S. automotive production and a phase-one trade deal with China, but the outlook for 2020 and beyond remains hazy.

**The Strength of the U.S. Dollar** – America’s economy is widely regarded as the most robust in the world, making the U.S. dollar more attractive to investors around the globe. This has the practical effect of strengthening the U.S. dollar against other currencies, thereby making American exports less competitive in global markets. When President Donald Trump took office, he promised to make the greenback “stronger and stronger.” In 2019, recognizing the negative impact of a strong dollar on U.S. exporters, he worked to bring down the U.S. Dollar Index. That index rose to over 99 in September 2019 – marking a two-year high – but there were signs by year-end that the index may be on track to drop in 2020, which would be good news for American exporters.



In October 2019, Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud met with Russian President Vladimir Putin at the Royal Palace in Riyadh.

*(Photo: The National)*

### **Global Competitors Making Inroads in MENA –**

In the MENA region, commerce sometimes takes its cue from foreign policy. When President Donald Trump visited Saudi Arabia in 2017, for example, the Kingdom promised to purchase U.S. goods worth hundreds of billions of dollars. However, as American business leaders know very well, the United States is not the only game in town. In 2019, some of America’s biggest competitors – led by Russia and China – made major inroads into what have traditionally been U.S. domains.

In that pursuit, no country was more effective than Russia which, a decade ago, played a relatively modest role in the region. Today, Russia has become a major player in the Middle East, and Russian dignitaries (and military advisors) may be found across the region. In October 2019, President Vladimir Putin received a “czar’s welcome” in Riyadh. During the visit, the two sides signed more than a dozen memoranda of understanding covering the fields of energy, petrochemicals, transport and artificial intelligence. Against this backdrop of growing influence by Russia, China, and other competitors, U.S. companies are in danger of losing market share over the long-term.

## Regional Factors Holding Back U.S. Exports

Exports to the MENA region climbed in 2019, but they remained constrained by a number of regional factors.

**Civil Wars & Proxy Wars** – Civil wars and proxy wars across the region continue to sap resources from more productive pursuits. Wars in Syria, Yemen, Libya, and other nations continue to rage, sometimes pitting regional players against each other. While some might argue that war is good for economies – especially during the reconstruction phase – there are few “silver linings” in the dark cloud of regional wars. Funds that might otherwise be spent on economic development are being diverted to provide weapons, ammunition, food, medicine, shelter, and schooling for refugees and displaced persons. Many of these expenditures were not anticipated, creating a major strain on regional economies.

**Protests Across the Region** – Around the region (and around the world), citizens are demanding more from their respective governments. In the Middle East and North Africa, this has resulted in widespread protests in Algeria, Iran, Iraq, Lebanon, Sudan, and other countries. These movements sometimes lead to improvements in political representation and qualities of life for local citizens, which can strengthen a nation’s economy. But in the short-term, such disturbances tend to stifle business, especially tourism. Capital is still a coward, and destabilized economies do not lend themselves to increased investment, free & fair trade, good governance, or efficient supply chains.



Protesters in Lebanon call for change.

(Photo: NBC News)



U.S. warship in the Arabian Gulf.

(Photo: U.S. Naval Institute)

**Regional Business Competition** – Non-Arab regional players, like Iran and Turkey, are working to spread their influence across the Middle East and North Africa. This is first and foremost a political gambit, but this outreach has spread to the commercial arena as well. As a result, Turkish and Iranian producers have begun to push out some of the traditional suppliers to the Arab world, including certain U.S. companies. It remains to be seen how far this play for increased market share will spread, and whether this is likely to be a short-term or long-term phenomenon.

### Top 3 Exporting States

The **State of Texas** has historically been the largest U.S. exporting State to the MENA region, and this was the case in 2019, with \$11.11 billion in sales to the Arab world. This represents a 6.46 percent increase over 2018 levels.

The **State of Washington**, on the strength of Boeing aircraft sales to the MENA region, clinched the #2 spot among top States exporting to the Arab world. Washington generated \$5.31 billion in exports in 2019, down 13.72 percent from 2018, perhaps reflecting business losses associated with grounding of the 737 MAX aircraft.

Rounding out the top three exporting States was **California**, with \$4.25 billion in exports to MENA, representing an increase of 3.55 percent from 2018 levels. California's leading sector has historically been agricultural products, accounting for a significant share of that State's goods exports to the Arab world.



Texas  
\$11.11 billion



Washington  
\$5.31 billion



California  
\$4.25 billion

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*The National U.S.-Arab Chamber of Commerce, widely regarded as the voice of American business in the Arab world, is in touch with business communities across the United States and serves as the U.S. point of contact for the national chambers of commerce in the 22 Arab nations. On a daily basis, NUSACC works closely with leaders throughout the Arab world, as well as high-level decision makers in the U.S. business community, public policy research centers, multilateral institutions, nongovernmental organizations, media, and the U.S. Government.*