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## U.S. - Arab Trade and Investment Relations (2010 - 2014): An Analytical View

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## 1. INTRODUCTION

With 714 billion barrels, the Arab World sits on 43% of world's total proven oil reserves and produces one third of world oil supply (Fattouh & El-Katiri, 2012). The so-called Arab Spring proved the region to be rife with violent internal ethnic and religious conflicts causing tremendous damages to the economies of several Arab states and some even threatening their very existence. Still, the Middle East plays an increasingly central stage in the geostrategic areas of international politics. Despite playing that pivotal role, its economic performance lags behind other regions in the world and its potential as strong partner in trade relations is yet to be fulfilled.

Arab economies have lower performance than other regions in the world in terms of living standards, economic diversification, and employment. Limited integration with global economy is frequently cited as a hindrance to its economic development. The expansion of trade across the world, in recent years, has created new jobs, improved earnings, and helped spread new knowledge and technology.

The oil revenues earned by natural-resource-rich Arab countries have been poorly utilized and development of manufacturing sector of the economy was not seriously pursued. Oil producing countries were prime examples of "resource curse" where oil revenues

deterred rather than aided economic development as well as exacerbated corruption and inequality. In a speech delivered in May 2011 addressing events in the Middle East and North Africa and the launching of his administration's Trade and Investment Partnership Initiative in the Middle East and North Africa, President Obama (2011) illustrated the economic performance of the region by stating "If you take out oil exports, this entire region of over 400 million people exports roughly the same amount as Switzerland".

Recently, several oil-rich Gulf countries have actively pursued diversification of their economies in the hope of developing local industries and expanding employment opportunities.

Arab countries have not met the challenge of creating employment for their growing labor forces due to weak regulatory environment and the poor governance institutions of Arab states (Lawrence, 2006a). Arab trade with other countries of the world is limited to mainly oil exports and imports of manufactured goods. Arab administrative regimes for conducting business and cross borders trade are extremely burdensome impeding both private sector entrepreneurship and foreign investors. They persisted because they generate benefit for those who know how to work within the system and those who are granted benefits by the system. Changing those regulatory regimes will result in a new set of winners and losers, and therefore has major political implications. This in turn led to the recycling of non-democratic political regimes that have stifled innovation and economic competition leading to the current state of weak economies.

The weak Arab integration in the global economy and its small industrial sector had the effect of weak educational systems that have not been able to equip the students with the hands-on skills demanded by the competitive global environment. The inability (or refusal by some) to find a peaceful solution to the Arab-Israeli conflict, in addition to the newly stirred Sunni-Shia sectarian quarrel, has resulted in the diversion of large sums of funds to the defense budget. This had the effect of weak spending, if any, on infrastructure projects. The other important factor preventing the Arab region from fully realizing its economic potential is the low proportion women constitute of the labor force.

Trade and investment between the United States and Arab region is relatively limited. United States

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trade with Arab countries accounts for 4% of total U.S. trade and 1% of U.S. foreign direct investment (FDI) outflows in 2011 (Akhtar, Bolle, & Nelson, 2013). The Arab region biggest trading partner is the European Union (EU) followed by Japan, with United State ranking third place (Akhtar et al., 2013). Trade between the United States and Arab countries consists mostly of exchanging crude oil for manufactured goods.

Since the 1980s, the United States sought stronger trade agenda in the Arab region through bilateral relations as well as the promotion of regional trade integration not just for its economic values, but also for its potential political gains in fostering more stable political environments. In fostering growth and development through trade, the United States argued that increasing economic welfare will promote domestic reforms that are central to America's fight against terrorism and extremist sentiments threatening its own security. The events of 9/11 highlight the impact of Arab issues on U.S. security. Actually, the 9/11 Commission stated in its report that "a comprehensive U.S. strategy to counter terrorism should include economic policies that encourage development, more open societies, and opportunities for people to improve the lives of their families and to enhance prospects for their children's future" (9/11 Commission, 2004, p. 379).

Reinvigorated by events of 9/11 and continuing its previous policy of economic engagement in the Arab region, the United States sought the establishment of free trade agreements (FTAs) with Arab countries. Free trade is based on Adam Smith and David Ricardo notions of comparative advantage where countries that produce certain products more efficiently than others have a comparative advantage and can trade those products to other countries in exchange for goods that other countries have a comparative advantage in producing (Malkawi, 2010). In real life, economists agree that free trade is rare. Various domestic import-competing industries will seek protectionism and state institutions will set their own regulations impacting open trade policy. Trade between economically advanced country and least developed ones, like Arab countries, is usually part of a bigger geostrategic political agenda of the advanced nation.

The main aspects of a typical FTA include market access in goods, general services including financial and telecommunications, investment, government procurement, intellectual property rights, labor and environmental standards, and competition policy (Mohamadieh, 2006). The United States has signed and entered into FTAs with 20 different countries and in 2014, 47 percent of its export goods, totaling \$765 billion, went to FTA partner countries (U.S. International Trade Administration, n.d.). All FTAs negotiated by the United States were based on a standard template of the type of agreement the US Congress will agree on. Signing FTAs based on multiple

variations of the template would have encouraged different countries to seek similar customized items complicating negotiation process and possibly overwhelming U.S. compliance agencies.

Whether due to influence of foreign powers or the acts of competing regional leaders, the economic integration of Arab countries has proven to be an extremely difficult task. This led to United States seeking bilateral trade agreements with the right Arab candidates in terms of economics and politics. Economically, the U.S. exports to those countries will increase, while imports will not threaten U.S. industries. Politically, the FTAs reflect the friendly relations between the partners as well as U.S. appreciation of the support and cooperation of those countries in its fight against terrorism.

In 2003, President Bush proposed the creation of a free trade area between the United States and Middle Eastern countries, named MEFTA (Matthijs, 2007). The Bush Administration planned to negotiate bilateral trade agreement with certain Arab countries with the aim of "combining these into a single overarching arrangement between the U.S. and the Middle East region as a whole" (Lawrence, 2006a, p. 21). The Bush Administration moved then to negotiate FTAs with Morocco, Bahrain, Oman, and the United Arab Emirates (UAE). This was in addition to its earlier signed agreements with Jordan and Israel (extended to cover West Bank and Gaza as beneficiaries of the FTA). The United States FTA agreements with Morocco and Bahrain went into effect in 2006, and that with Oman entered into force in 2009 (Office of the United States Trade Representative, n.d. a). The FTA with Jordan has been in force since 2001 and went thru a gradual elimination of tariffs on all industrial and agricultural products and was fully implemented in 2010. It should be noted that those bilateral agreement would not have been achieved if the United States have chosen the top-down approach of MEFTA, due to the fact that collective negotiations usually stall due to actions of some countries in foot-dragging. Universal Arab participation would most certainly not conclude with those far reaching agreements with Morocco, Bahrain, Oman, and Jordan. From the US standpoint, choosing bilateral bottom-up approach places the United States in a stronger bargaining position than negotiating with a coalition of Arab states. It allows it to choose the sequence with which it negotiates and to place pressures on late comers as well as to use FTAs as a reward for countries that are willing to work closely with the United States. As conditions emerge towards negotiating a MEFTA, Arab countries might find it easier to coordinate their positions and possibly strike a better FTA deal with the United States than the ones afforded by bilateral agreements.

By first negotiating bilateral agreements with countries that were most able and willing to engage, the

US hoped to use MEFTA to liberalize bilateral trade with the region, facilitate domestic reform, and build mutual trust between the Arab countries to encourage regional economic cooperation (Yousef, 2004). With economic growth comes enhanced political stability and improved conditions for a peaceful resolution of the Arab-Israeli conflict leading to reduced security risks and alleviated Islamic fanatical sentiments in the region. The U.S. also hoped to use those FTAs to improve its trading position in the Arab region vis-à-vis the European Union (EU) which has its own set of FTAs and other trade agreements with Arab countries. The geographic proximity of Europe to the Arab region clearly gives it an advantage over distant America. Add to that, the European Union's political attachments to those FTA are less demanding than those signed with United States.

For Arab countries, FTAs with United States provide economic advantages such as increased trade and investment. FTAs offer preferential access of Arab goods to the large US market resulting in increased exports and investment by foreign and local firms. FTAs with United States could improve trading of Arab countries with other partners. Arab countries with similar FTAs with United States would have already gone through the required economic liberalization demanded by the US, and as such would have already established the bases for closer regional economic integration. This could lead to the aspired MEFTA the United States is seeking which would spur Arab countries to launch a regional integration among the willing and able. Finally, to sign an FTA with United States would require taking steps to liberalize the economy which, hopefully, could lead to the much sought out domestic political reforms (Lawrence, 2006b).

While MEFTA was presented as a regional initiative by the United States, the current FTA negotiation with the Gulf Cooperation Council (GCC) points to difficulties that had each of Bahrain and Oman sign their own FTAs with the United States in a clear breach of GCC policies. The UAE is currently at an advanced stage of concluding its own FTA, again in a breach of GCC policy. This could be a precursor that a single MEFTA would be difficult to conclude and the end result could be a deeper economic integration among reformer Arab states.

In addition to FTAs, the United States has used other tools of trade diplomacy to engage Arab countries, such as Trade and Investment Framework Agreement (TIFA) and Qualified Industrial Zones (QIZ) agreements. TIFAs are typically the first step with Arab countries towards free trade agreements. TIFA is a consultative mechanism used by the United States to discuss trade and investment issues with another country, and due to its consultative nature is a non binding agreement. The U.S. has signed TIFAs with Algeria, Bahrain, Egypt, Gulf Cooperation Council (GCC), Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Tunisia, United Arab

Emirates, and Yemen (Office of the United States Trade Representative, n.d. b). By addressing specific trade issues and helping Arab partners to acquire the necessary knowledge and experience to integrate into global economy, the United States hopes to create the needed economic liberalization that could lead to an FTA.

The United States also supports the creation of QIZs, authorized by Congress in 1996, where jointly produced goods by Israel with either Jordan or Egypt are allowed to enter the United States without tariff or quota restrictions. The QIZs are intended to promote peace between Israel and its Arab neighbors, specifically Egypt and Jordan who have signed peace treaties with Israel. They also intend to benefit the two Arab countries as well as West Bank and Gaza by creating employment and stimulating economic activities (al-Khoury, 2008). QIZs are created in Jordan and Egypt where Israel sends its raw materials that get incorporated in the final Jordanian and Egyptian products to be exported to the United States duty free. There are currently 13 designated QIZs in Jordan employing over 40,000 people and helping it grow its exports to the United States (Israel Ministry of Economy, 2015). In Egypt, 15 designated QIZs have attracted 700 companies and are producing annual revenues of \$1 billion (Egypt Ministry of Trade and Industry, n.d.).

The reaction to United States economic initiative, MEFTA, varied among Arab countries. Some were eager to join while others resisted the economic liberalization policies required by FTAs and thru them the change in political positioning driven by United States geopolitical strategy in the area. The United States approach of bilateral agreements made it clear that those excluded have not gone far enough to satisfy U.S. demands. Absent an Israeli-Palestinian agreement, many Arab countries found it difficult to join a U.S. regional economic initiative that seeks, at one stage, the normalization of Arab-Israeli economic and political relationships.

In this study, the U.S. – Arab trade and investment were assessed over the past five years (2010 – 2014). Arab countries with FTAs signed with United States were reviewed for their trading volume compared to those countries without FTA agreements. US investment in Arab world was also assessed.

## II. RESEARCH METHOD

An exploratory qualitative research methodology was used to assess United States trade with Arab countries. The qualitative method was employed to examine the phenomenon of U.S.-Arab trade from the perspective of deep understanding rather than micro-analysis of limited variables used by quantitative research. Instead of trying to prove or disprove a hypothesis, this qualitative research seeks

themes and general patterns to emerge from the collected data. Data were collected primarily from the United States Department of Commerce-Bureau of Economic Analysis, U.S. Census Bureau, and the International Monetary Fund (IMF).

The research objective is to improve the understanding of U.S. and Arab region economic relations thru the assessment of trade volume (exports and imports of goods to/from the Arab countries) as well as flow of U.S. direct investment in the region. The objectives were met by answering the following qualitative research questions:

1. What is the volume of U.S. -Arab trade over the period 2010 thru 2014? Does it show any improvement?
2. Have FTAs contribute to increased volumes of trade and investment between the United States and concerned Arab countries?
3. How does inter-Arab trade between those with signed FTAs compare to those without?

The first question was designed to provide the readers with recent solid data about trade volumes and investment between the United States and Arab countries over the past five years (2010-2014). The second question was to assess the effects of FTAs on trade volumes between the United States and its Arab partners. The third question was to assess inter-Arab trade over the period of the study for any trends of increased regional economic integration, especially among those that have gone through the liberalizations demanded by the FTAs. While, several studies (Freund & Portugal-Perez, 2012; Matthijs, 2007; Mohamadieh, 2006) have concluded that trade agreements had marginal effects at best on stimulating economic growth in concerned countries, this study revisited the topic with more recent data in addition to assessing investment and inter-Arab trade.

### III. RESULTS

Data was collected for both imports and exports of Arab goods to/from the United States from both the United States Census Bureau as well as the IMF. Data in Table 1 and Table 2 show the imports/exports of goods from/to the United States by individual Arab countries. Table 1 is import/export data collected from U.S. Census Bureau while Table 2 is that collected from International Monetary Fund. There are slight differences between the two monitoring bodies due to differing in collection methods. They're presented here to the readers for illustration purposes as well as due to the fact the Census Bureau collects data on Palestine (West Bank and Gaza) due to the expansion of FTA with Israel to cover the two territories. The IMF in turn provided more data that were used to develop other tables.

Data in Table 1 shows the steady improvement of U.S. exports to Arab countries over the period of 2010 – 2014 with exports in 2014 totaling 147% increase over that of Year 2010. In contrast, U.S. imports from the Arab region (mainly oil and natural gas) reached its highest volume of \$111.8 billion in 2012 before declining to \$88.2 billion in 2014. This decline is expected to continue due to U.S. steady increase of its own oil production through the increased use of fracking and other drilling technologies. With increased pressure on U.S. Administration to lifting the 40 years old ban on U.S. crude oil exports, it's expected that U.S. imports from the Arab region would decrease substantially due to expected fracking boom resulting from ban lifting (U.S. Energy Information Administration, 2015). The expected U.S. entry into the oil exporting arena will have a significant geo-political impact on European dependency on Arab oil. Countries of the European Union would steadily lessen their reliance on oil imports from the unstable and unpredictable Arab region more in favor of American oil.

*Table 1* : U.S. Exports to/ imports from Arab states 2010 - 2014 (in \$ millions) - Census Bureau Data

Country	Exports to Arab Countries					Imports from Arab Countries				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Algeria	1,194.3	1,597.0	1,363.2	1,848.70	2,617	14,518.0	14,609.3	9,993.3	4,830.90	4,628.90
Bahrain	1,235.1	1,214.4	1,176.9	1,017.90	1,059.80	420.3	518.4	701	635.6	965.4
Comoros	1.3	1.1	1	3.5	3.5	1.7	1.8	2	2.8	2.1
Djibouti	122.8	129.2	118.8	164.5	110.9	3	4.1	11.8	3.9	11.8
Egypt	6,832.5	6,228.2	5,498.3	5,175.30	6,472.60	2,238.20	2,058.70	3,000.1	1,614.60	1,410.20
Iraq	1,643.1	2,400.4	2,053.8	2,021.70	2,105.70	12,143.3	16,959.8	19,265.4	13,305.7	13,827.0
Jordan	1,172.2	1,449.7	1,766.4	2,084	2,050.40	974.1	1,060.50	1,155.5	1,197.30	1,400.40
Kuwait	2,774.8	2,749.7	2,681.9	2,597.60	3,648.60	5,382.00	7,808.70	13,020.9	12,636.9	11,437.0
Lebanon	2,009	1,807.3	1,039.9	1,034.30	1,268.50	83.9	79.3	81.2	91.8	72.2

Libya	665.5	307.2	549	864.5	531.9	2,116.80	645	2,493.0	2,558.20	224.8
Mauritania	84.3	243.3	291.6	245.5	149.2	52.9	1	0.7	130.7	101.4
Morocco	1,947.6	2,823.3	2,170.4	2,483.70	2,102.20	685.5	995.7	932.1	976.1	992.1
Oman	1,105.2	1,436.7	1,746.9	1,571.30	2,015.90	773.3	2,208.30	1,354.4	1,022.60	976.1
Palestine	0.7	1.1	1.5	0.9	1.8	3.2	4.8	4.8	4.9	4.4
Qatar	3,159.8	2,806.7	3,577.7	4,958.40	5,173.40	466.4	1,199.70	1,011.50	1,300.90	1,742.10
Saudi Arabia	11,506	13,923.7	17,961.2	18,960.2	18,704.9	31,412.8	47,476.3	55,667	51,806.7	47,040.8
Somalia	1.5	6.1	16.7	16	35.7	0.1	1.1	1	1.2	0.5
Sudan	N/A	59.9	55.5	88.3	77.2	N/A	4.2	6.5	10.4	11.9
Syria	503.3	230.2	19.5	21.6	6.8	429.3	393.2	19.5	19.2	12.4
Tunisia	572.8	597	614.9	870.2	831.4	405.5	352	737.9	748.9	520.9
UAE	11,662	15,921.6	22,559.1	24,452.5	22,069.3	1,145.40	2,439.80	2,253.0	2,293.20	2,814.20
Yemen	397.8	389.7	469.5	518.3	368.9	181.4	561.7	87.1	65.6	41.2
Total (Arab States)	48,592	56,323.5	65,733.7	70,998.9	71,405.6	73,437.1	99,383.4	111,799.7	94,282	88,237.8

Note. Data collected from U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/index.html>)

Table 2 : U.S. Exports to/ imports from Arab states 2010 - 2014 (in \$ millions) – IMF Data

Country	U.S. Imports from Arab Countries					U.S. Export to Arab Countries				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Algeria	13,830	15,122	10,782	6,096	4,691	2,117	2,176	1,771	2,220	2,872
Bahrain	406	498	667	605	877	1,375	1,335	1,330	1,120	1,166
Comoros	2	2	2	3	2	1	2	1	4	4
Djibouti	3	4	11	4	11	137	146	135	187	138
Egypt	1,692	1,817	2,002	1,213	1,123	4,939	6,464	5,143	5,056	5,066
Iraq	11,476	15,786	17,853	12,313	12,570	1,811	2,674	2,243	2,229	2,316
Jordan	924	1,034	1,125	1,206	1,323	867	1,213	1,377	1,365	1,320
Kuwait	5,079	7,282	12,133	11,765	10,397	3,055	3,000	2,951	2,854	4,014
Lebanon	0	0	65	88	58.64	1,919	1,994	2,376	1,136	1,227
Libya	1,988	606	2,322	2,384	204	732	316	603	894	554
Mauritania	0	1	1	122	92	92	267	304	270	179
Morocco	602	947	894	919	852	2,501	3,746	2,900	3,363	3,202
Oman	863	1,732	868	658	750	974	1,393	1,651	1,515	1,265
Qatar	794	1,045	1,131	820	546	3,738	2,555	2,759	3,157	3,476
Saudi Arabia	29,684	44,327	52,116	48,271	42,762	12,750	15,201	19,930	20,887	20,547
Somalia	0	1	1	1	1	2	6	17	17	39
Sudan	5	5	5	0	11	191	78	100	94	50
Syria	405	371	19	18	0	563	275	22	24	0
Tunisia	389	276	326	397	474	896	881	799	798	935

UAE	1,087	2,280	2,103	2,165	2,545	12,802	17,483	24,827	27,068	24,324
Yemen	187	560	90	63	38	441	429	516	568	402
Total	69,416	93,696	104,516	88,349	79,492	51,903	61,634	71,755	74,826	73,187

Note. Data collected from International Monetary Fund (<http://data.imf.org>)

Table 3 data shows U.S. trade with selected neighboring countries of the Arab region. It's worth noting the trade between the United States and Israel, a country of six million people versus that of the 22 Arab countries with a population of 400 million people. While U.S. imports from the Arab countries is mainly oil and gas that from Israel is mostly manufactured goods. Both Israel and Arab countries have run trade surplus with the United States where Israeli exports of goods to the United States for Year 2014 stood at \$23 billion almost \$8 billion more than what it imported from the United States. Likewise, for Year 2014 Arab countries exported \$88.3 billion of mostly oil and gas to the United States and imported manufactured goods from the later worth \$71.4 billion.

Table 4 was constructed from data collected from International Monetary Fund. Arab import of manufactured goods from the United States has increased from \$51.9 billion in 2010 to \$73.1 billion in 2014, 4.5% of total U.S. exports to rest of the world. Arab export of oil and gas showed a decline of \$23.4 billion in 2014 from the total of \$104.5 billion in 2012. This is a result of a decline of U.S. oil purchases from the Arab region.

Table 5 data shows trading volumes of the six countries of the Gulf Cooperation Council (GCC) with the United States. It shows a decline of \$11.1 billion of U.S. imports from GCC in 2014 from the height of \$69 billion in 2012. While United States reduced oil imports from the Arab region as a whole an amount of \$23.4 billion in 2014 from that of 2012, almost 53% of that reduction came from countries outside the GCC. In 2014, the GCC countries constituted 70.4% of total Arab exports to the United States and 74.8% of its total imports from the region. This explains the strategic importance the United States puts on its relations with GCC countries of which both Bahrain and Oman are signatories to FTA agreements with it. While there are no FTA negotiations between the United States and Saudi Arabia, the latter's oil exports to the United States constituted more than 50% of its total oil imports from Arab region (assuming US imports as mainly oil). The United States biggest economic partner in the Arab region is that of the United Arab Emirates with \$24.3 billion worth of goods imported from the United States amounting to 33% of total U.S. exports to the region. Negotiation between the two trading partners to sign an FTA agreement is at advanced stages (Office of the United States Trade Representative. (n.d. a)). Data from Table 5 clearly shows that signing an FTA agreement is

not a pre-condition for an improved trading relationship with the United States.

For Year 2014, exports to the United States constituted 13% of Saudi Arabia's total exports, while its imports from the U.S. made only 12% of its total imports (see Table 6). While United States imported 15.7% of total oil exports of Iraq, its exports to the country made only 4.5% of total imports of Iraq. For 2014, the Arab countries exports to the United States totaled \$81 billion (or 6.95%) out of the more than \$1.17 trillion exports to the rest of the world, while its imports amount to \$73 billion (or 8.16%) out of the \$894.1 billion total imports from the rest of the world. The aforementioned data did not include Syria due to sanctions imposed by the United States resulting in complete cessations of trade relations between the two countries.

The trade between Arab countries with signed FTAs with United States (namely, Bahrain, Jordan, Oman and Morocco) seems to be modest at best (See Table 6). The exports of the four countries to the United States in 2014 totaled \$3.8 billion or 3.1% of their total exports of \$122.2 billion, while their imports from the U.S. were \$6.9 billion or 6.1% of their total imports of \$114.2 billion. Individually, Bahrain's exports of \$877 million to United States mounted to 2.37% of its total exports to the world, while its imports of \$1.1 billion amounted to 7.04% of its total imports. Morocco's exports to the U.S. made only 3.61% and its imports 7.02%. While Oman's exports were 1.41% and its imports from the United States were 4.32%. Of the Arab countries that have signed FTA, only Jordan exports of \$1.3 billion to the United States amounted to almost 16% of its total exports while its imports almost 6% of its total of \$22.7 billion. Jordan FTA agreement with United States is clearly helping boost its economy and its people employment opportunities. Jordan, a non-oil producing country, exports to the United States are mainly manufactured goods and other raw material requiring employment of a sizable number of working people. Same argument could be made for Morocco, also a non-oil producing country, while Bahrain's and Oman's exports are mainly oil and natural gas with little impact on employment rates. The oil industry employs small number of people and increasing oil production has limited effects on creating new jobs in a country.

**Table 3 :** U.S. Exports to/ imports from Neighboring states of Arab Region 2010 – 2014 (in \$ millions)

Country	2010		2011		2012		2013		2014	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Arab States	48,592.3	73,437.1	56,323.5	99,383.4	65,733.7	111,799.7	70,988.9	94,282.0	71,405.6	88,237.8
Israel	11,295.0	20,984.8	13,961.6	23,046.6	14,273.5	22,131.1	13,742.2	22,783.2	15,083.0	22,962.2
Turkey	10,538.5	4,207.2	14,695.2	5,220.8	12,474.7	6,294.1	12,073.4	6,669.10	11,645.4	7,357.00
Iran	211.4	94.5	233.2	1	251.1	2.1	308.1	2.2	186.5	0
Africa	28,339.9	85,008.1	32,883.0	93,009.0	32,726.4	66,816.5	35,244.6	50,059.8	38,077.2	34,589.5
World	1,278,100	1,912,100	1,480,700	2,207,000	1,547,100	2,275,000	1,578,900	2,267,600	1,623,300	2,345,800

Note. Data collected from U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/index.html>)

**Table 4 :** Percentage of Arab Exports/Imports to United States Imports/Export of Goods for Years 2010 – 2014 (\$ billions)

Year	Total U.S. Exports to World	Total Export to Arab Region	Percentage of Total U.S. Exports	Total U.S. Imports from World	Total U.S. Import from Arab Region	Percentage of Total U.S. Imports
2010	1,277	51.9	4.0%	1,968	69.4	3.5%
2011	1,481	61.6	4.1%	2,265	93.6	4.1%
2012	1,545	71.7	4.6%	2,336	104.5	4.5%
2013	1,579	74.8	4.7%	2,331	89.1	3.8%
2014	1,623	73.1	4.5%	2,345	81.2	3.4%

Note. Data from IMF (<http://data.imf.org/>)

Table 5  
Export/import of goods from GCC to/

**Table 5 :** Export/import of goods from GCC to/from the United States 2010- 2014 (\$ millions)

Country	Export to U.S.					Import from U.S.				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Bahrain	406	498	667	605	877	1,375	1,335	1,330	1,120	1,166
Kuwait	5,079	7,282	12,133	11,765	10,397	3,055	3,000	2,951	2,854	4,014
Oman	863	1,732	868	658	750	974	1,393	1,651	1,515	1,265
Qatar	794	1,045	1,131	820	546	3,738	2,555	2,759	3,157	3,476
Saudi Arabia	29,684	44,327	52,116	48,271	42,762	12,750	15,201	19,930	20,887	20,547
UAE	1,087	2,280	2,103	2,165	2,545	12,802	17,483	24,827	27,068	24,324
Total GCC	37,913	57,164	69,018	64,284	57,877	34,694	40,967	53,448	56,601	54,792
Total Arab States	69,416	93,696	104,516	89,111	81,058	51,903	61,634	71,755	74,826	72,960
Percentage GCC of total trade with US	54.6%	61%	66%	72.1%	70.4%	66.8%	66.4%	74.5%	75.6%	74.8%

Note. Data from IMF (<http://data.imf.org/>)

*Table 6 : Arab Export/Import of Goods to/from United States vs. total World for Year 2014 (\$ millions)*

Country	Export to U.S.	Total Export to World	% of Total	Import from U.S.	Total Import from World	% of Total
Algeria	6,421	59,675	10.76%	2,736	55,899	4.89%
Bahrain	877	37,037	2.37%	1,166	16,567	7.04%
Comoros	2	39	5.13%	4	307	1.30%
Djibouti	11	552	1.99%	138	4,238	3.26%
Egypt	1,123	26,693	4.21%	5,066	68,189	7.43%
Iraq	12,570	79,389	15.83%	2,316	51,455	4.50%
Jordan	1,323	8,379	15.79%	1,320	22,727	5.81%
Kuwait	10,397	91,919	11.31%	4,014	31,635	12.69%
Lebanon	59	3,279	1.8%	1,227	19,992	6.14%
Libya	204	17,068	1.20%	554	19,226	3.04%
Mauritania	92	2,369	3.88%	179	3,856	4.64%
Morocco	852	23,599	3.61%	3,202	45,611	7.02%
Oman	750	53,221	1.41%	1,265	29,305	4.32%
Qatar	546	131,584	0.41%	3,476	30,355	11.45%
Saudi Arabia	42,762	332,321	12.87%	20,547	169,966	12.09%
Somalia	1	809	0.06%	39	2,514	1.55%
Sudan	11	4,350	0.25%	50	9,211	0.54%
Syria	0	12,688	0.00%	0	19,800	0.00%
Tunisia	474	15,345	3.09%	935	24,553	3.81%
UAE	2,545	257,243	0.99%	24,324	273,283	8.90%
Yemen	38	9,471	0.40%	402	15,248	2.64%
Total	81,058	1,167,030	6.95%	72,960	915,475	7.99%
Total excl. Syria	81,058	1,151,661	7.02%	72,960	894,137	8.16%

Note. Data from IMF (<http://data.imf.org/>)

Data in Table 7 shows the inter-Arab regional trade for Year 2014. Trading with other Arab countries makes a good percentage of total trade of several countries. The international sanctions against Syria have forced to completely rely on its trade with fellow Arab nations. Majority of Syria's exports of \$12.7 billion (or 96%) went to other Arab countries, while it imported from them approximately 58% of its total imports of \$19.8 billion. Algeria, Egypt, Djibouti, Somalia and Sudan exported over 30% of their total exports to other Arab countries, while Bahrain, Iraq, Jordan, Kuwait, Oman, Somalia and Yemen imported more than quarter (or 25%) of their goods from other Arab countries. Data from Table 7 while showing certain Arab countries are more integrated in their Arab surroundings than others, inter-Arab trade, as a whole, points to a steady progress of economic integration of the Arab region.

Both Algeria and Saudi Arabia imported more goods from the United States than their Arab neighbors (See Table 8), while Iraq, Kuwait and Saudi Arabia had more exports to the U.S. than fellow Arab nations. Saudi Arabia's trade with United States surpasses that with all other Arab countries combined (See Table 8).

United States investment in Arab region of \$62.7 billion made only 1.3% of its total direct investment abroad (See Table 9). Egypt seems to be attracting the most U.S. investment dollar over the period of study, followed by Saudi Arabia and then UAE. In 2014, the three Arab countries received \$46.4 billion (or 74%) of total U.S. investment in the region. For the period of study (2010-2014) the three nations seem to be the main attraction of U.S. investment in the area. Data collected from U.S. Bureau of Economic Analysis was based on historical cost bases and what was

publically available was only for the three Arab countries shown in Table 9. Hopefully, future researchers will be able to collect U.S. investment data for all other Arab countries for improved analysis.

*Table 7 : Inter-Arab Export/Import of Goods for Year 2014 (\$ millions)*

Country	Exports to Arab Countries	Total Exports	Percentage	Imports from Arab countries	Total Imports	Percentage
Algeria	18,128	59,675	30.38%	2,561	55,899	4.58%
Bahrain	3,090	37,037	8.34%	7,200	16,567	43.46%
Comoros	3	39	7.69%	75	307	24.43%
Djibouti	514	552	93.12%	890	4,238	21.00%
Egypt	8,719	26,693	32.66%	9,309	68,189	13.65%
Iraq	2,779	79,389	3.50%	13,190	51,455	25.63%
Jordan	3,954	8,379	47.19%	6,810	22,727	29.96%
Kuwait	6,614	91,919	7.20%	7,257	31,635	22.94%
Lebanon	1,818	3,279	1.8%	2,556	19,992	6.14%
Libya	1,368	17,068	8.01%	3,325	19,226	17.29%
Mauritania	8	2,369	0.34%	310	3,856	8.04%
Morocco	1,089	23,599	4.61%	6,149	45,611	13.48%
Oman	9,506	53,221	17.86%	11,971	29,305	40.85%
Qatar	10,292	131,584	7.82%	5,431	30,355	17.89%
Saudi Arabia	30,432	332,321	9.16%	15,671	169,966	9.22%
Somalia	571	809	70.58%	973	2,514	38.70%
Sudan	2,345	4,350	53.91%	2,149	9,211	23.33%
Syria	12,158	12,688	95.82%	11,417	19,800	57.66%
Tunisia	1,753	15,345	11.42%	1,412	24,553	5.75%
UAE	24,484	257,243	9.52%	29,999	273,283	10.98%
Yemen	1,419	9,471	14.98%	4,736	15,248	31.06%
Total	141,044	1,164,349	12.11%	143,391	915,475	15.66%

Note. Data from IMF (<http://data.imf.org/>)

*Table 8 : Country Export/Import to/from other Arab countries vs. United States for 2014*

Country	Exports to Arab Countries	Export to United States	Imports from Arab countries	Import from United States
Algeria	18,128	6,421	2,561	2,736
Bahrain	3,090	877	7,200	1,166
Comoros	3	2	75	4
Djibouti	514	11	890	138
Egypt	8,719	1,123	9,309	5,066
Iraq	2,779	12,463	13,190	2,316
Jordan	3,954	1,323	6,810	1,320
Kuwait	6,614	10,397	7,257	4,014
Lebanon	1,818	59	2,556	1,227
Libya	1,368	204	3,325	554

Mauritania	8	92	310	179
Morocco	1,089	852	6,149	3,202
Oman	9,506	750	11,971	1,265
Qatar	10,292	546	5,431	3,476
Saudi Arabia	30,432	42,762	15,671	20,547
Somalia	571	1	973	39
Sudan	2,345	11	2,149	50
Syria	12,158	0	11,417	0
Tunisia	1,753	474	1,412	935
UAE	24,484	2,545	29,999	24,324
Yemen	1,419	38	4,736	402
Total	141,044	81,222	143,391	73,187

Note. Data from IMF (<http://data.imf.org/>)

Table 9 : Showing U.S. Direct Investment In Arab Region 2010 -2014 (\$ millions)

Country	U.S. Direct Investment Abroad on a Historical Cost Bases				
	2010	2011	2012	2013	2014
Egypt	12,599	14,950	17,341	18,795	21,320
Saudi Arabia	7,436	8,250	9,488	10,084	10,064
UAE	4,935	5,864	8,335	11,717	15,035
Others	12,595	11,496	13,413	15,067	16,268
Total	37,565	40,560	48,577	55,663	62,687
Total U.S.					
Investment Abroad	3,741,910	4,084,659	4,384,671	4,693,348	4,920,653
Percentage of					
Total U.S. Investment	1%	1%	1.1%	1.2%	1.3%

Source: U.S. Department of Commerce – Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov))

#### IV. CONCLUSION

A qualitative research was conducted to assess the economic relationship between the United States and the Arab countries for the period of 2010-2014. Publicly available data supplied by IMF and U.S. government agencies were utilized for the assessment. Results show trade between the two partners has increased over the period of the study. U.S. exports to the Arab countries increased from \$48.6 billion in 2010 to \$71.4 billion in 2014, while its imports from Arab countries increased from \$73.4 billion in 2010 to \$88.2 billion in 2014 (Refer to Table 1).

Trade historically has contributed to improved economic relations between the engaging partners. Those who enjoy healthy exchange of goods tend to have closer political and social relationships. Due to its close relations with Israel, United States presence in the Middle East has always attracted various reactions from different sectors of Arab societies. Arab nationalists and Islamists have accused it of exploiting Arab oil resources to the detriment of Arab people interests. The results of this study show the fallacy of such argument.

While United States, and due to its status as a super power, might have political hegemony in the region due to its strategic location and its oil wealth, however, Arab trade with United States is limited and mutually beneficial for the two trading partners. The Arabs have an important buyer in the United States of their oil that provides in return significant financial proceeds. This study showed Arab countries exporting to the United States only \$88 billion (or 8%) of their total exports of \$1.1 trillion, while importing only \$71.4 billion (or 8%) of their needs of \$894 billion (See Table 6). Trade with Arab states made a small portion of U.S. activities with rest of the world. Its exports/imports to/from the region made 4.4% and 3.7% respectively. Due to proximity and weaker political commitments than those required by the United States, Arab region trading is larger with the European Union.

Arab countries, such as GCC, seem to successfully utilize their relations with United States to improve their economic conditions. The results of this study did not show a significant improvement of trade between Arab countries with signed FTA with United States over those without it. Only Jordan of the four Arab

countries with FTAs with United States seems to have fully utilized the agreement to increase exports to the U.S. and create new jobs for its people.

Inter-Arab regional trade constituted a good percentage of total trade of several Arab countries. Increased trade between neighboring countries should increase regional economic integration leading, hopefully, to improved political relationships between Arab governments. Only Saudi Arabia's trade with United States surpassed that of its trade with other Arab countries.

U.S. direct investment in the area was around 1% of its total investment abroad for the period of the study. Directing more funds to the area would help in improving trade relations with Arab region. Three Arab countries, namely Egypt, Saudi Arabia, and UAE seem to enjoy preferred recipient status and making 74% of total U.S. investment in the region in Year 2014. It's hoped that future researchers will have access to more detailed data about annual U.S. investment in every Arab country and expand this study to assess Arab trade with European Union, China and Japan.

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