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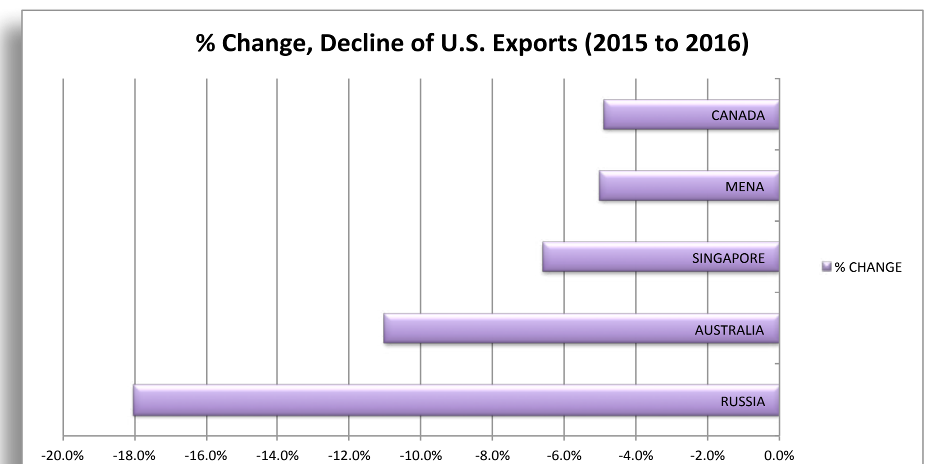
U.S. GOODS EXPORTS TO THE ARAB WORLD SHRANK 5 PERCENT IN 2016

Infrastructure in MENA Region is Still Booming, But Sluggish Oil Prices and the Strong U.S. Dollar Are Hindering U.S. Exports

U.S. Exports Dipped Worldwide, but the Arab World Was Less Affected Than Other Global Markets

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) region fell by five percent over the past year, from $67.4 billion in 2015 to $64.1 billion in 2016. This represents the second year in a row that U.S. exports to the region dipped, in large part as a result of such global trends as soft oil prices and the growing strength of the U.S. dollar in international markets.



In a review of top markets for U.S. products around the world, the MENA region experienced comparable trends. Exports to Canada, which is the largest market for U.S. goods, dropped 4.9 percent. U.S. exports to Singapore dropped 6.6 per cent. Exports to Russia and Australia dropped even more (18.0 percent and 11.0 percent respectively).

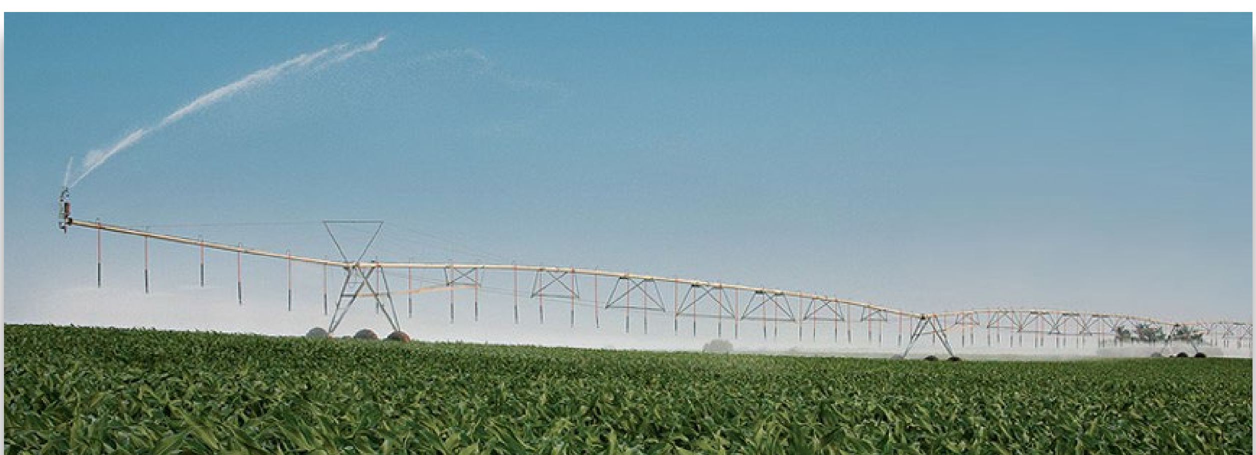
U.S. exports to the two largest markets in the Arab world – the United Arab Emirates and Saudi Arabia – decreased 2.6 percent and 8.5 percent, respectively. Other top MENA markets that declined included Egypt (down 26.2 percent), Oman (down 24.6 percent), and Iraq (down 35.6 percent). Conversely, U.S. exports to certain Arab nations saw their biggest jump in years, led by Kuwait (up 19.83 percent), and followed by Algeria (up 19.22 percent), Palestine/West Bank & Gaza (up 19.17 percent), Qatar (up 16.47 percent), Morocco (up 16.01 percent) and Jordan (up 9.28 percent).

David Hamod, President & CEO of NUSACC, noted, "U.S. exports to the MENA region, like America's exports to most other countries around the globe, took some hits in 2016. But the Arab world showed great resiliency, outperforming many other important markets. Given the array of challenges facing the region in 2016, America's success in the MENA region speaks volumes about the enduring strength of the U.S. – Arab commercial relationship."

Economic Drivers in U.S. – Arab Relations

In 2016, the top drivers in the U.S. – Arab economic relationship continued to revolve around security, energy, infrastructure, and consumer items, with growing interest in such service-oriented sectors as education, training, and health care. Defense sales to the MENA region remained high, largely due to continued conflict in the region, and energy continued its trend toward diversifying into solar, wind, and other forms of alternative energy.

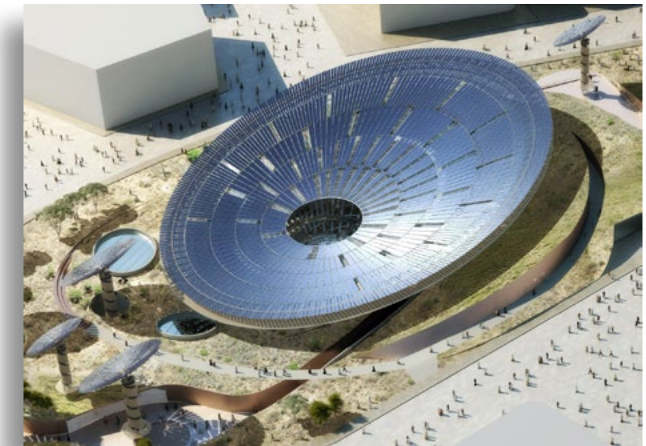
Transportation equipment – led by Boeing – remained the largest category of goods exported to the Arab world, totaling almost $27.0 billion in sales. This constituted 42 percent of total U.S. exports to the Arab world in 2016. Transportation Equipment was joined in the Top Five Sectors by Machinery [Excluding Electrical] ($6.4 billion, 10 percent of total U.S. exports to the region), Computer and Electronic Products ($5.7 billion, 9 percent), Chemicals ($3.8 billion, 6 percent), and Agricultural Products ($2.9 billion, vv4.5 percent).



U.S. agricultural companies, like NUSACC Platinum member Lindsay Corporation, have been increasing exports to the MENA region.

(Photo courtesy: Lindsay Corporation)

These sectors highlighted the region's growth in infrastructure development, an area in which U.S. companies are among the best in the world. The MENA region, led by the Gulf Cooperation Council (GCC) nations, has been making massive investments in recent years in airports, ports, heavy & light rail, roads, water & wastewater, schools, and hospitals. These investments are intended to improve the quality of life throughout the Arab world, and some are focused on supporting world-class signature events taking place in the region, such as Expo 2020 in Dubai (UAE) and the 2022 FIFA World Cup in Qatar.



A series of satellite dish-shaped structures by NUSACC member company Grimshaw Architects will form the Sustainability Pavilion, one of three pavilions for the Expo 2020.
(Photo courtesy: Grimshaw Architects)

Trends Affecting the MENA Region

U.S. exports to the 22 Arab countries dipped in 2016 by an average of five percent. There are a number of reasons for this decline, led by soft oil prices and a strong U.S. dollar.

Oil prices rose during 2016 to an average of $43 per barrel, but they remained below historic levels. In the MENA region, this manifested itself as a slowdown in expenditures by governments and the private sector, translating into fewer export opportunities for U.S. companies. The Organization of Petroleum Exporting Countries (OPEC) announced plans in November 2016 to cut production, but it is not clear that this step will translate into substantially higher oil prices in the months ahead, in part because OPEC will be hard-pressed to keep its members – and others – in line.

Soft oil prices have contributed to the recent decline of U.S. exports to the MENA region.
(Photo courtesy: Kongsky | Dreamstime.com)

At the same time, oil storage inventories will need to be drawn down significantly if oil producers hope to sustain elevated prices. Moreover, hydraulic fracturing ("fracking") in the United States has proved to be a game-changer, putting downward pressure on oil prices that is likely to last for years to come. As a result of recent technological innovations, fracking companies have proved to be more resilient to low oil prices than in the past.

The strength of the U.S. dollar continued to put pressure on the price competitiveness of U.S. goods in overseas markets. In the words of Shawn Tully in *Fortune* magazine, the dollar's rise creates daunting challenges for U.S. companies at home and abroad: "As long as the greenback keeps appreciating, it will continue to depress the U.S. economy's rate of growth. That's because a strong dollar hammers both exports and domestic sales of U.S. goods and services."

Lockheed Martin, a Platinum Plus member of NUSACC, provides aircraft, ground vehicles, and defense satellite communications sytems to the Middle East.

(Photo courtesy: Lockheed Martin)

Tully notes that exports for U.S. corporations have weakened over time because the surging dollar means that American prices are relatively higher in foreign markets. Moreover, he suggests, "sales outside the U.S. – whether by U.S. or non-U.S. multi-nationals – in foreign currencies such as euros, yen, and yuan translated into far fewer dollars than they did last year." For instance, 1 billion euros in sales added up to $1.3 billion in 2014 and just $1.1 billion in 2015. Put simply, the strong U.S. dollar means that U.S. products sold in the MENA region are less competitive – and effectively less profitable – than they once were.

Sales of commercial aircraft by Boeing, a NUSACC Platinum member, helped to make the State of Washington America's top exporter in 2016.

(Photo courtesy: Boarding1now | Dreamstime.com)

Regional instability – including violence in Syria, Iraq, Yemen, and Libya – added to MENA budgetary challenges, blowing big holes in budgets and reducing the amount of discretionary funds that are available at the end of the day for infrastructure projects. In the same vein, the potential for terrorism inspired by extremist groups may be destabilizing prospects for economic development and foreign direct investment (FDI) in parts of the MENA region.

"Top Ten" Export Destinations in the Arab World

The top five destinations in MENA for U.S. goods remained largely unchanged from previous years, with the exception of Qatar and Egypt switching places. The 2016 rankings were as follows: United Arab Emirates ($22.4 billion), Saudi Arabia ($18.0 billion), Qatar ($4.9 billion), Egypt ($3.5 billion), and Kuwait ($3.3 billion).

The Gulf Cooperation Council (GCC) countries accounted for 80 percent of U.S. goods exported to the Arab world, with a total of $51.3 billion in sales. Together, the top two export destinations – the United Arab Emirates and the Kingdom of Saudi Arabia – accounted for 63 percent of total U.S. goods exports to the MENA region.

While the "Top Five" MENA export destinations remained largely unchanged from 2015, the "Second Five" saw some jostling in the rankings. Algeria ($2.2 billion) surged to sixth place, in part on the strength of U.S. agricultural exports, followed by three countries that have signed Free Trade Agreements (FTA) with the United States: Morocco ($1.9 billion), Oman ($1.8 billion), and Jordan ($1.5 billion). Iraq ($1.3 billion) rounded out to the Top Ten, falling from 7th place to 10th place as a result of volatility in oil markets and continuing violence in Iraq.

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

United Arab Emirates | Saudi Arabia | Qatar | Egypt | Kuwait | Algeria | Morocco | Oman | Jordan | Iraq

Top Three Exporting States

The Top Three exporting states to the Arab world slightly reshuffled from last year's rankings, with the State of Washington clinching the top spot. The State of Washington generated $10.3 billion in exports in 2016, a significant increase from $8.3 billion in 2015. The top category of exports from the State of Washington was Transportation Equipment, which accounted for 93 percent of the state's total exports to the Arab world. Number two on the list was the State of Texas, exporting $9.4 billion in 2016, a 9.3 percent decrease from 2015 levels. Rounding out the top three exporting states was California, with $4.4 billion in exports, representing a drop of 14 percent from 2015 levels.

Washington
$10.3 billion

Texas
$9.4 billion

California
$4.4 billion

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.

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