NATIONAL U.S.-ARAB CHAMBER OF COMMERCE

غرفة التجارة الأمريكية العربية الوطنية

FOR IMMEDIATE RELEASE
April 10, 2025
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Exporting Leverage, Importing Risk: Navigating the New Geometry of U.S.-Arab Trade

U.S. - Arab trade is facing an important inflection point. The *good* news: In 2024, U.S. exports to the Arab world rose four percent to $68.18 billion. Imports totaled $46.84 billion, resulting in a U.S. trade surplus of $21.33 billion. The *bad* news: These topline figures obscure deeper shifts in how trade is being structured, perceived and, increasingly, politicized. The U.S. - Arab commercial relationship no longer hinges on mutual benefit. It is becoming a reflection of power and a test of political loyalty.

In 2025, the return of Donald Trump to the White House has ushered in a full pivot back to transactional diplomacy. With sweeping tariffs dominating U.S. policy – targeting not just competitors like China, but also allies seen as benefiting from "unfair" trade imbalances – Arab economies must now recalibrate their strategies. Gulf countries that once relied on stable, reliable trade ties with Washington are now navigating a reality in which arms deals, tariff waivers, and even market access are contingent on alignment with U.S. geopolitical goals, particularly around Israel, Iran, and China.

President Trump is expected to travel soon to Saudi Arabia, his first overseas destination, but the visit has already been complicated by the introduction of new tariff requirements that are frustrating long-standing Arabian Gulf partners. The stunning early impact of the tariff policy is also being felt at home: U.S. stock markets have entered a period of heightened volatility, and early economic indicators point to broader turbulence in sectors tied to global trade.

U.S. - Arab trade does not exist in a vacuum. U.S. goods exports to the MENA region grew to more than $68 billion in 2024, but these numbers pale in comparison to those of China, whose exports to the Arab world grew to $507.1 billion last year. The UAE is the top export destination for both the United States and China, with U.S. exports reaching nearly $27 billion in 2024. By comparison, China's exports to the UAE rose to $66.37 billion, according to the United Nations COMTRADE database and reporting by *The Global Times*.

The U.S. still enjoys comparative and competitive advantages in such field as defense, tech, and energy, but America is losing ground structurally. For example, the most recent U.S. - Arab Free Trade Agreement (FTA) has been the U.S. - Oman FTA, which entered into force in January 2009, more than 15 years ago. The failure to update or expand FTAs in the region, combined with new tariff regimes, has left American exporters at a comparative disadvantage in Arab markets. In this environment, it appears that U.S. - Arab trade is no longer about efficiency, scale, or mutual benefit. Rather, it is more about leverage, political loyalty, and unfolding terms of engagement in a multipolar economic order.

U.S. - Arab Trade Flows in 2024

Five countries – the United Arab Emirates (UAE), Saudi Arabia, Egypt, Morocco, and Qatar – continue to dominate the U.S. – Arab trade landscape, accounting for 82.6 percent of total U.S. exports to the Arab world in 2024. The UAE remains the top destination, importing $26.97 billion in U.S. goods, buoyed by its investments in Artificial Intelligence (AI), logistics, aerospace, and digital infrastructure aligned with the UAE's Vision 2030. Egypt and Morocco posted standout growth in 2024, with U.S. exports rising 36 percent and 40 percent, respectively. This growth was fueled by energy diversification, construction, and education partnerships – as well as significant commercial aviation acquisitions. EgyptAir expanded its fleet with new Boeing 787 Dreamliners, for example, while Royal Air Maroc advanced its long-haul capacity with additional Boeing aircraft, including 737s and 787s.

In contrast, Saudi Arabia and Qatar recorded year-over-year declines in imports from the USA after substantial growth in 2023. Saudi imports fell five percent to $13.18 billion due in large part to oil-linked fiscal tightening, project delays, and the absence of major aviation orders in 2024. (This came on the heels of the $37 billion Boeing deal with Riyadh Air announced in 2023.) After a record year in 2023, Qatar dropped 18 percent to $3.80 billion, reflecting geopolitical sensitivity and a slowdown in LNG-related services, along with a tapering of Boeing deliveries that included 777Xs and Dreamliners.

Because export figures can change significantly from year to year, depending on sales of big-ticket items, such figures are not always indicative of the "big picture." Despite these shortcomings, year-on-year trade flows remain one of the best yardsticks for measuring the health of U.S. - Arab commerce.

In 2024, some Arab economies sustained trade surpluses with the United States through diversification. For example, Jordan's $1.33 billion surplus was driven by pharmaceuticals, agricultural products, and textile exports – demonstrating a non-energy export strategy that helps to insulate that nation from oil price swings.

But tariffs may be about to change everything.

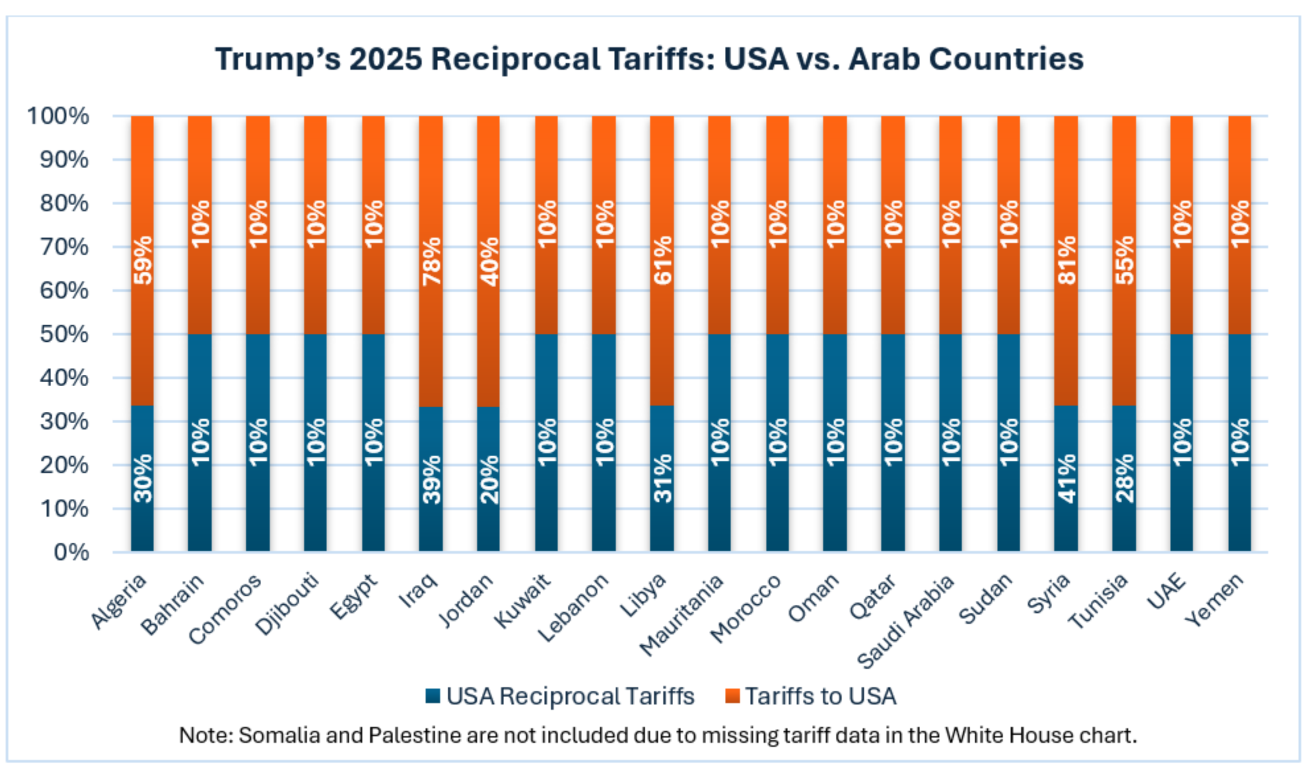
Country		2024 U.S. Exports	
		Annual	Rank
	United Arab Emirates	$26.97 billion	1
	Saudi Arabia	$13.18 billion	2
	Egypt	$6.09 billion	3
	Morocco	$5.27 billion	4
	Qatar	$3.8 billion	5
	Kuwait	$2.41 billion	6
	Jordan	$2.03 billion	7
	Oman	$1.95 billion	8
	Iraq	$1.66 billion	9
	Bahrain	$1.65 billion	10
	Algeria	$1.01 billion	11
	Libya	$567 million	12
	Lebanon	$541 million	13
	Tunisia	$504 million	14
	Djibouti	$145 million	15
	Mauritania	$140 million	16
	Yemen	$134 million	17
	Sudan	$57 million	18
	Somalia	$49 million	19
	Comoros	$4.7 million	20
	West Bank admin. by Israel	$3.7 million	21
	Syria	$2.0 million	22

Source: U.S. Census Bureau

In Q1 of 2025, the United States implemented a flat 10 percent tariff on all imports from Gulf Cooperation Council (GCC) states, part of a broader trade war engaging not only adversaries, but also strategic partners. While this uniform rate of 10 percent is lower than punitive measures imposed on some other countries, it still adds friction to a vital commercial relationship. Tariffs increase compliance costs, narrow profit margins for American importers, and slow the flow of capital goods and industrial components into the U.S. market. No Arab economy remains untouched. Every nation is now operating under a new layer of uncertainty, and following the 90-day pause on reciprocal tariffs, what happens next is anyone's guess.

The impact of these barriers to trade is both uneven and consequential. For high-volume countries like Saudi Arabia and the UAE, the new tariffs complicate defense, energy, and infrastructure supply chains at a time when both partners are trying to deepen cooperation with the USA. For emerging markets like Egypt and Morocco, the tariffs threaten to undercut momentum in fast-growing sectors. And for U.S. firms, particularly small and medium-sized enterprises (SMEs), the cost of doing business in the region has gone up just as European and Chinese competitors – operating under more pliable trade frameworks – gain traction.

In short, while the export numbers suggest continued engagement, the fundamentals of U.S. - Arab trade are being reshaped by tariffs, political conditions, and a return to transactional diplomacy.



Source: NUSACC

A Trade Surplus, a Trust Deficit: The Politicization of U.S.-Arab Trade

The $21.33 billion U.S. trade surplus with the Arab world – historically viewed as a measure of commercial success – is now being repurposed by the Trump Administration as a tool of strategic leverage. No longer treated as the outcome of mutual demand, the surplus favoring the United States is framed as a geopolitical imbalance requiring "correction." Countries with large surpluses – like the UAE ($19.49 billion), Egypt ($3.55 billion), Morocco ($3.36 billion), and Qatar ($1.97 billion) – are being asked to "give back" through policy alignment with U.S. priorities, including Iranian containment, Chinese tech exclusion, and normalization with Israel.

In parallel, sectors once driven by market forces – such as defense, aerospace, and digital technology – now come with new strings attached. Washington is fast-tracking arms deals and tech partnerships, but the Trump Administration demands strategic concessions in return. In response, Arab governments are adopting hedging strategies: Publicly aligning with U.S. interests, while simultaneously cultivating deeper commercial alternatives through China's expanding presence in critical industries like renewable energy, sovereign cloud systems, logistics, and telecom infrastructure.

This leverage-first approach delivers short-term wins: Defense contracts move faster, regulatory waivers are granted, and bilateral MOUs proliferate. Yet the long-term implications are far more complex, and Arab governments are recalibrating. In the Arabian Gulf, for example, countries like Saudi Arabia and the UAE – longstanding U.S. partners – are now weighing continuity in defense and tech cooperation against the rising cost of political conditionality.

Trump's retaliatory tariffs on nations that run surpluses with the USA – most notably Iraq ($5.76 billion) and Algeria ($1.45 billion) – undermine the energy trade flows that have anchored bilateral relations and generated vital revenues for Arab states.

These penalties come at a time when both nations, Iraq and Algeria, are keenly interested in improving their relations with the United States. For such economies, tariffs shrink export margins, and discourage long-term contracts with American refiners, and they may force a reallocation of oil and gas shipments to less stable or less lucrative markets.

In smaller countries that are already facing fiscal strain – like Jordan, Libya, and Tunisia – tariffs of up to 40 percent directly threaten key export sectors such as textiles and pharmaceuticals, thereby risking job losses, factory closures, food shortages, and deteriorating balance-of-payments deficits. Beyond the immediate economic damage, these measures destabilize trade planning, erode investor confidence, and may accelerate political volatility, particularly in fragile or reforming states.

The message from Washington – that trade surpluses invite penalties – puts additional pressure on Arab governments to diversify away from U.S. markets, deepen ties with U.S. competitors, and question the reliability of American economic partnerships based on transactional diplomacy.

Defense as a Strategic Anchor or a Strategic Trap?

U.S. defense exports remain an important anchor of American trade with the Arab world, accounting for a disproportionately large share of total exports to the region. In 2024, arms sales dominated U.S. commercial engagement with key allies. Qatar finalized a $2 billion deal for Patriot missile systems and long-range early warning radars. The UAE's $23 billion defense package included F-35 fighter jets, MQ-9 Reaper drones, and munitions. Bahrain and Kuwait expanded their coastal surveillance and missile defense capabilities, deepening their integration into the U.S. security architecture. These were important sales but, for some, they sent a message that the United States is increasingly reliant on weapons exports to sustain its trade position in the Arab world.

This reliance invites risk. Defense deals, now more than ever, are packaged with broader strategic demands by the United States. For example, Washington is using arms access as a diplomatic lever to push for normalization with Israel, containment of Iranian influence, and rejection of Chinese technology. Arab states, while still prioritizing security ties with the United States, are considering other options. If the U.S. continues to lose ground in the Arab world in tech, renewables, and infrastructure – sectors in which China and the EU are aggressively expanding – then America may be perceived as a "one-trick pony": Heavily dependent on military sales, but ill-prepared to provide other offerings in a rapidly diversifying economic landscape.

Recalibrating the Energy Balance

Oil and gas imports remain a structural counterweight to America's trade surplus with the Arab world. Thus far in 2025, Arab countries have been supplying nearly 15 percent of U.S. crude oil imports, reinforcing longstanding energy interdependence.

Yet that relationship is under growing pressure. Brent crude prices have dropped to near $60 per barrel and remain range-bound between $60 and $65 – driven not only by OPEC+ output strategies, but also by a deeper demand collapse in Asia. Industrial slowdowns in China, India, and South Korea are sharply curtailing oil imports, cutting into the Arab world's top revenue streams and exposing fiscal vulnerabilities across hydrocarbon-exporting states.

And with no rebound in sight, the worst may be yet to come.

For Iraq, Saudi Arabia, Algeria, and the UAE, the sharp drop in oil demand poses a serious economic challenge. With Brent crude prices falling to $60 - $65 per barrel, government revenues are tightening, forcing delays in public spending and investment projects. Iraq's $5.76 billion trade surplus with the U.S. may shrink – not from lost volume, but from lower prices that erode revenues. Algeria's current LNG redirection to the United States amid Red Sea shipping disruptions will be more difficult to sustain as global competition intensifies. Even Libya, whose light sweet crude remains prized by U.S. refiners, faces diminishing returns as oversupply meets a shrinking industrial base in Asia.

This creates a dual shock: On one hand, Arab state revenues fall, forcing governments to delay or scale back procurement of U.S. goods – particularly in sectors like aerospace, energy infrastructure, and industrial equipment. On the other hand, the United States itself faces declining urgency to import Arab oil, further narrowing energy-linked trade flows.

Iraq, which maintains a healthy trade surplus with the United States and exports over 230,000 barrels per day, now contends with pricing pressure that erodes the value of its exports, according to the U.S. Energy Information Administration (EIA). Algeria, with a $1.45 billion surplus, has shifted LNG volumes from European to American buyers due to Red Sea shipping disruptions, but that pivot may be unsustainable amid falling spot prices. Libya continues to export light sweet crude through Es Sider and Zawiya, generating a $0.89 billion surplus, but its market position is tenuous, tethered to volatile geopolitics and increasingly competitive global supply chains, according to S&P Global.

Taken together, these trends point to a broader rebalancing: The Arab world's role in U.S. energy security is weakening just as the commercial relationship becomes more fraught, with greater sensitivity to global pricing, industrial demand, and political risk.

Flashpoints: Gaza and the Red Sea

The Gaza conflict, now in its second year, continues to reshape the commercial and political environment for U.S. - Arab trade. What began as a humanitarian crisis has morphed into a geopolitical shockwave reverberating across Arab markets and shipping corridors, deeply affecting consumer sentiment.

The tragedy that is Gaza has prompted widespread boycotts of American consumer brands across the Middle East and North Africa. For example, in Egypt, Jordan, Tunisia, and parts of the Arabian Gulf, American fast-food chains, retail goods, and tech platforms are experiencing sustained double-digit sales declines, reflecting a broader erosion of U.S. brand equity in key markets. For sectors that are reliant on services and soft power – such as tourism, hospitality, education, and culture – the costs to America's reputation are increasingly difficult to reverse.

The situation in Gaza is evolving from a humanitarian catastrophe crisis into a region-wide political reckoning, fueled by the highly visible role of the U.S. Government in supporting Israel's military operations. The perception that Washington is "all in" with Israel – especially in supplying intelligence and weapons – has undermined U.S. credibility not just at the diplomatic level, but especially on the Arab street, where pro-Palestinian sentiment is deep and widespread.

Exacerbating the situation for the United States: Inflammatory rhetoric from American political figures, including talk of turning Gaza into a "riviera" for non-Palestinians, is deepening resentment across the region. These sentiments, combined with shocking images of civilian suffering and displacement, have turned the U.S. commercial presence into a symbol of political complicity for many Arab consumers.

In this vein, the Red Sea shipping crisis continues to complicate trade flows and regional logistics. Attacks by Houthi rebels on commercial shipping lanes have not abated; as of April 2025, over 70 documented strikes on cargo vessels have been recorded by the United Kingdom Maritime Trade Operations (UKMTO). Global carriers like Maersk and Hapag-Lloyd continue to reroute traffic around the Cape of Good Hope, bypassing the Red Sea and the Suez Canal altogether. The Suez Canal Authority reports a 54 percent year-over-year decline in shipping revenue for Q1 2025. Container volumes remain down more than 60 percent, with freight costs for East-West routes holding at 250 - 300 percent above pre-crisis levels, according to the latest Freightos index update (March 2025).

The impact on U.S. exporters is both acute and uneven. Companies shipping heavy equipment, industrial machinery, and perishable goods face soaring costs and prolonged delivery timelines, particularly into Arabian Gulf and North African markets. The Red Sea corridor – once a backbone of global trade – is now a chokepoint that is subject to military risk and economic fragility.

To counteract these threats, the United States has expanded its military posture under Operation Prosperity Guardian, deploying two carrier strike groups and additional naval escorts to secure transit through the Bab el-Mandeb strait. While this has stabilized some shipping activity, the region remains volatile. Maritime insurance premiums have risen by 30 percent, according to the International Chamber of Shipping, and many exporters are now investing in alternative routes through India, East Africa, or transshipment hubs in Europe. These options come at the expense of speed, reliability, and competitiveness, thereby exposing U.S. firms to new vulnerabilities.

The twin shocks of Gaza and the Red Sea illustrate a broader truth: Now more than ever, U.S. commercial engagement in the Arab world can no longer be separated from U.S. foreign policy. The humanitarian tragedy in Gaza – backed by funding from American taxpayers – is not just a moral crisis; it has become a strategic liability for American businesses across the region. This is especially true in countries where public opinion wields significant influence over purchasing behavior and brand loyalty.

In 2025, success in U.S. - Arab trade depends less on traditional advantages like pricing and scale, and more on adaptability. Companies must localize operations, hedge against logistics disruptions, and protect brand integrity in politically charged environments. It is no longer just a question of moving goods efficiently; commerce now revolves around whether U.S. firms can operate successfully in a region where trust in American leadership is visibly eroding.

The commercial future of the United States in the Arab world now rests on more than market fundamentals; it rests on the ability to navigate the costs of complicity in a region increasingly shaped by war, protest, and popular backlash.

China and Europe Cement Strategic Trade Advantages

China's trade with the Arab world reached $507.1 billion in 2024, according to China's Ministry of Commerce (MOFCOM), widening an increasingly lopsided gap with the United States, whose exports to the region stood at $68.18 billion during the same period. This makes China's Arab trade volume more than seven times larger than that of the United States, and the differential is no longer just quantitative; now, it is strategic. While the U.S. remains dominant in defense and aerospace, Beijing is embedding itself across the region's commercial infrastructure in ways that Washington is not positioned to match under its current policy model.

China is investing heavily across the MENA region through a state-led strategy that combines infrastructure financing, industrial development, and digital integration. According to the American Enterprise Institute's China Global Investment Tracker, Chinese investment and construction activity in MENA exceeded $273 billion cumulatively by the end of 2024 – with over $23 billion committed in the last two years alone.

Strategic sectors – not just commodities – anchor China's regional footprint. In 2024 - 2025, for example, Huawei has continued to build out 5G infrastructure across the GCC, including multi-phase partnerships with telecom regulators in the UAE, Saudi Arabia, and Oman, despite ongoing U.S. diplomatic pressure to block Chinese digital infrastructure, according to the *Financial Times*. In parallel, Chinese state-owned enterprises (SOEs) secured new control and development contracts at key logistics nodes, including Oman's Duqm Port, Egypt's Port Said, and Algeria's Skikda terminal, giving China operational control over a growing share of Red Sea and Mediterranean shipping corridors, according to *The Diplomat*.

Beijing is also dominating the race for renewable energy partnerships. In Kuwait, a 2025 deal added 5 GW of solar capacity, enough to supply nearly half of the country's daytime electricity demand. According to Bloomberg, this represents an emblematic shift that positions China, not the United States, as the go-to partner for the Arab energy transition. In Saudi Arabia, Chinese engineering firms are now involved in construction and grid integration for solar farms tied to the NEOM megacity. Across North Africa, Chinese banks are financing renewable infrastructure through state-backed lending instruments that U.S. firms lack, particularly due to limited U.S. EXIM Bank deployment.

For its part, Europe also continues to hold entrenched trade dominance, particularly in North Africa, where its proximity and regulatory alignment provide advantages that the United States has failed to replicate. Eurostat reports that the EU accounts for over 41 percent of Morocco's trade and 48 percent of Tunisia's trade, compared to a modest U.S. share of less than 7 percent for each. Although U.S. exports to Morocco rose 40 percent year-over-year to $5.27 billion, Morocco's total imports reached $53.4 billion in the same period, with France, Spain, and Germany leading the list of suppliers, according to Morocco's Foreign Exchange Office (Office des Changes). These European gains are largely protected by the EU - Morocco Association Agreement, which offers zero-tariff access and regulatory harmonization – advantages that American firms lack, despite the presence of the U.S. - Morocco Free Trade Agreement. The FTA has proven beneficial but insufficient to match the scale and cohesion of Europe's broader trade integration strategy in the region.

What distinguishes China and Europe in this competitive landscape is not just volume, but structural alignment. China offers end-to-end project delivery – financing, engineering, labor, and maintenance – especially in digital infrastructure, green energy, and port logistics. Europe's dominance revolves around legal frameworks and preferential market access. The United States, by contrast, relies on sectoral strength and bilateral leverage, but both are constrained by unpredictable tariff policies, the absence of new FTAs, and growing perceptions of conditionality in America's commercial diplomacy.

Compounding this shift is the escalating U.S. - China trade war, which is triggering broader global economic contraction. The imposition of new tariffs and retaliatory measures is dampening demand and factory output across Asia.

Bloomberg notes that in China, growth in industrial output slowed to 4.5 percent in Q1 2025, down from 5.6 percent in late 2024, while South Korea's manufacturing sector contracted for the fourth consecutive quarter. The International Energy Agency (IEA) now projects that China's oil demand will grow by just one percent in 2025, down from 3.7 percent in 2023 – a sharp deceleration with direct consequences for Arab oil exporters. This trend reflects deeper structural shifts in global manufacturing and energy use, directly reducing energy consumption and, with it, demand for Arab oil.

The worst may be yet to come.

Looking forward, the Trump Administration is intensifying pressure on Arab allies to roll back Chinese tech integration – particularly in AI, cloud, and smart port infrastructure – in exchange for defense cooperation and selective tariff relief. This "America First 2.0" strategy may yield tactical wins, but it risks alienating Arab capitals if it is perceived as self-serving rather than strategic. If Washington continues to approach trade through the lens of political compliance, while its competitors offer structural predictability and investment continuity, the long-term U.S. foothold in the region's commercial future will be increasingly at risk.

For more on how China is gaining ground in the Arab world, see NUSACC's report entitled *Shifting Sands: How China is Outpacing the USA in the MENA Region*.

Jebel Ali Port in UAE | NEOM in Saudi Arabia | Qatar's Ras Bufontas

FTAs and Free Trade Zones

Today, the U.S. - Morocco Free Trade Agreement (FTA) remains the strongest case study for the power of rules-based trade in the Arab world. In 2024, U.S. exports to Morocco surged 40 percent year-over-year to $5.27 billion, according to the U.S. Census Bureau, driven by zero-tariff access, clear IP protections, and consistent customs frameworks. A notable contributor to this growth was the aviation sector: Royal Air Maroc expanded its long-haul fleet with new orders of Boeing 787 Dreamliners and 737 MAX aircraft, reinforcing the strategic value of the FTA in facilitating high-value transactions. These results underscore how FTAs can turn diplomatic ties into durable commercial advantages – particularly when backed by regulatory clarity and sector-specific cooperation in areas like aerospace, energy, and infrastructure.

Across the rest of the region, U.S. exporters face rising friction and competitive disadvantages, as Arab partners deepen ties with China and the European Union, both of which offer wide-reaching preferential trade agreements.

In the UAE, for example, U.S. industrial equipment and aluminum exports continue to be constrained by Section 232 tariffs, which remain unresolved. These tariffs have prompted Emirati buyers to shift procurement to Chinese and European suppliers offering lower landed costs and more predictable trade environments. While Free Trade Zones (FTZs) in Jebel Ali, NEOM, and Qatar's Ras Bufontas have offered some relief – enabling American firms to operate outside standard customs frameworks – these zones are not a substitute for broad-based trade architecture. FTZs support project-based commerce in sectors like healthcare, fintech, and logistics, but they cannot compensate for systemic disadvantages in tariff policy or a lack of regulatory harmonization.

One bright spot, and a potential role model for the region: The Kingdom of Bahrain has taken an innovative approach to America's structural challenges. That nation has recently launched the U.S. Trade Zone (USTZ), creating a hub for U.S. companies operating in the region. The USTZ, according to the U.S. Department of Commerce, is designed to provide "crossdocking activities, end-to-end specialized customs solutions, and fast track operation for the purpose of exporting via Khalifa bin Salman Port, Bahrain International Airport, King Fahad Causeway or any future customs posts created by the Kingdom of Bahrain." U.S. businesses have begun to operate there as if they were on American soil, according to the *Wall Street Journal*, "building on Bahrain's existing advantages as a trading hub for companies looking to connect to the rapidly growing $4.3 trillion MENA (Middle East and North Africa) market and its nearly 500 million consumers."

Thus far, Trump 2.0 has dashed any near-term hopes for expanded FTAs. The Administration has made clear its skepticism of multilateral trade deals and is pursuing bilateral tariff relief only in exchange for political concessions. In this model, FTAs are not tools of economic development; they are instruments of diplomatic leverage. This approach has put Arab governments in a difficult position: Should they deepen ties with the United States and accept conditionality, or should they accelerate trade diversification with less politically demanding partners in Asia, Europe, and elsewhere?

Looking ahead, the strategic cost of inaction is rising. If the United States does not expand FTA coverage across the GCC and North Africa, its firms will remain structurally disadvantaged in high-growth sectors like digital infrastructure, green energy, and advanced manufacturing – sectors in which China offers financing and the EU provides regulatory access. Free Trade Zones can continue to act as pressure valves, allowing U.S. companies to localize selectively, but without a clear FTA roadmap, American exporters risk becoming marginal players in one of the fastest-growing commercial regions in the world.

Discussions about a potential U.S. - GCC Free Trade Agreement remain stalled, with marginal progress since negotiations began nearly two decades ago. In the absence of modern trade frameworks, commercial engagement defaults to one-off deals – often brokered under political pressure – that can be revoked at any time. This leaves American firms exposed and unable to plan for sustained investment in the region.

President Trump's transactional approach – built on ad hoc sales, not strategic partnerships – is increasingly out of step with what Arab governments are seeking: Durable investment, infrastructure collaboration, and economic integration. Without structured, forward-looking agreements, the U.S. risks falling behind both Europe and China, which are advancing not just goods, but also governance, predictability, and policy alignment.

For U.S. policymakers, the message is clear: Tariff policy must be reimagined not just as a tool of protection, but as a platform for competitiveness. And for Arab governments, the growing gap in FTA coverage presents both a challenge and an opportunity: To demand more structured engagement from Washington, or to forge ahead with trading blocs that offer deeper, rules-based integration. The next phase of U.S. - Arab economic diplomacy will be defined not just by goodwill, but by architecture – and right now, the United States is not building fast enough.

Strategic Recommendations for Arab Governments

Arab governments must now operate under a fundamentally changed trade environment – one where bilateralism is driven less by shared growth and more by political calculus. The Trump Administration's pivot toward tariffs, transnationalism, and conditional market access leaves little room for "business as usual." To adapt, Arab nations should not wait for Washington to return to a traditional rules-based framework. They must proactively reshape their commercial strategies to protect national interests, preserve competitiveness, and insulate key sectors from mounting uncertainty.

First, governments should pay more attention to U.S. cities and states, especially Governors. While the trade posture at the Federal level is increasingly turbulent and politicized, many U.S. states remain eager to attract foreign investment. Arab sovereign wealth funds and private investors should prioritize partnerships at the state level, focusing on joint ventures in clean energy, advanced manufacturing, precision agriculture, infrastructure, and logistics. Governors and mayors are keen to offer regulatory clarity, expedited licensing, and long-term continuity, which are in short supply at the Federal level these days.

Second, it is essential to treat the U.S. dollar not as a permanent pillar of stability, but as a variable in flux. With U.S. stock markets under pressure from the tariff war, and with recession signals flashing across key sectors, the dollar may experience swings that will complicate pricing, procurement, and portfolio management. Gulf sovereign wealth funds – which have long been overweight on U.S. real estate and Treasuries – should reallocate selectively. More emphasis should be placed on inflation-resistant assets, diversified currency baskets, and higher-yielding infrastructure in Asia, Africa, and the Global South. Currency risk is no longer theoretical.

Third, Arab countries must understand that the current U.S. strategy is not built on partnership; rather, it revolves around compliance. Trade access, arms transfers, and tariff relief are increasingly contingent on alignment with U.S. positions. In this environment, hedging is not a weakness; it is a necessity. Arab governments must deepen trade diversification with global partners, while accelerating intra-Arab commercial integration to reduce dependence on external partners. The GCC's effort to negotiate trade deals as a bloc should be expanded to cover investment protection, customs harmonization, and sovereign digital infrastructure development.

Fourth, governments must protect their industrial planning from tariff volatility. The flat 10 percent tariff currently applied to all GCC exports – and even higher rates for others – has introduced uncertainty into long-term project financing and procurement timelines. Arab ministries of trade and finance should establish tariff risk units to monitor U.S. policy shifts, model cost implications for key sectors, and prepare countermeasures such as subsidy offsets, alternative sourcing strategies, or local production incentives.

This approach applies not only to the Arabian Gulf states, but also to non-GCC countries like Algeria, Jordan, Iraq, and Tunisia, which face steep tariffs (yet have fewer tools and resources to mitigate market shocks). These economies, many of which rely on industrial exports and agricultural trade with the United States, must be especially proactive in hedging against policy-driven disruptions and preserving access to America's markets under increasingly unpredictable conditions.

Finally, education, talent mobility, and research collaboration with the United States are increasingly at risk. Rarely captured in trade statistics, the movement of Arab students, scholars, and technologists to the United States has been a strategic investment in soft power, intellect, and capacity-building. With rising visa restrictions and reputational backlash tied to foreign policy, Arab governments should proactively support educational pathways through partnerships with U.S. universities operating overseas, online delivery of American curricula, and scholarships tied to economic priority areas like AI, climate science, and biomedical engineering.

The Trump Administration is sending an unmistakable signal that economic relations with the Arab world will be governed by leverage, not by mutual benefit. The question facing Arab policymakers in 2025 is not whether the United States is still a vital partner. (It is.) The question is whether Arab leaders are prepared to navigate the U.S. partnership on new terms. Strategic autonomy, fiscal resilience, and policy flexibility are now prerequisites – not aspirations. In a world where trade is a tool of power projection, survival will favor those who adapt early, diversify deeply, and negotiate with leverage of their own.

For five decades, the National U.S. - Arab Chamber of Commerce (NUSACC) has served as a commercial bridge between the United States and the Arab world. Widely regarded as the voice of American business in the Middle East and North Africa (MENA) region, the Chamber serves over 50,000 members and stakeholders in the USA and across the Arab world. Awarded the E-Award for export excellence by the President of the United States, NUSACC is the only business entity in the USA that is recognized by the League of Arab States and the Union of Arab Chambers.

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