US-UAE Business Council

The US-UAE
Trade and Investment Relationship

Submitted by Michael Moore

Professor of Economics and International Affairs
Director, Institute for International Economic Policy
Elliott School of International Affairs
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Executive Summary

The United States and the United Arab Emirates (UAE) enjoy a robust trade and investment relationship, much of which now has little direct relationship to UAE oil exports. Moreover, this is one of the fastest growing U.S. economic partnerships, both globally and especially in the Gulf region. The trade surplus in goods with the UAE throughout this decade reflects strong U.S. competitiveness in a number of sectors. In addition, the volume of U.S. exports and foreign direct investment into the UAE in recent years has grown dramatically and is likely to continue to grow in the future. This growth reflects the increasingly diversified UAE economy as well as its leading role as a modernizing influence in the Arab world.

Highlights

- U.S. goods exports to the UAE increased by 352 percent from \$2.6 billion in 2001 to \$11.9 billion in 2006. This is far greater than the 42 percent increase for overall U.S. exports around the world.

- The UAE's share in U.S. exports to the Gulf Cooperation Council (GCC), which consists of the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait, and Oman, doubled from 25 percent in 2001 to 49 percent in 2006.

The UAE is the single largest export market for U.S. goods and services in the Middle East, and U.S. exports to the UAE have expanded nearly five-fold from 2000 to 2006. In 2006, the UAE imported \$2,571 of U.S. goods per capita, which exceeded that of many important U.S. trading partners including Kuwait (\$821), Saudi Arabia (\$330), Japan (\$468), Germany (\$501), Mexico (\$1,287), and Israel (\$1,558).

- U.S. exports to the UAE originate from a wide variety of U.S. states. In 2006, the five largest sources were: Washington (33 percent), Texas (21 percent), California (8 percent), New York (6 percent), and Tennessee (3 percent).

- U.S. foreign direct investment in the UAE rose 445 percent from at least \$834 million in 2001 to \$4,547 million in 2006. This far exceeds a worldwide increase of 63 percent in the same period and an increase of only 22 percent in Saudi Arabia.

- The pace of UAE investments in the United States have also quickened. Recent examples include a proposed 20 percent share in NASDAQ, a 7.5 percent share in the Carlyle Group, an 8.1 percent share in Advanced Micro Devices, and a 4.9 percent stake in Citigroup.

- Cooperation extends beyond the private sector. U.S. non-profit organizations are also expanding their activities in the UAE, including a Johns Hopkins University partnership in a new cancer treatment center and a New York University plan to establish a campus in Abu Dhabi by 2010.

This economic relationship will likely deepen further in coming years, given the UAE's growing status as a regional business powerhouse, the high world price of petroleum and resulting high UAE growth rates, and the UAE's continued political stability and sound economic policies.

Introduction

The United States and the United Arab Emirates (UAE), have developed ever-stronger economic ties in recent years, with the growth of trade and investment among the highest of any major U.S. partner. This improved economic partnership reflects the UAE's role as a regional leader in terms of economic reform, openness to international trade and investment, and political stability. President Bush's choice of the UAE as a potential free trade agreement (FTA) partner with the United States is a testament both to the UAE's economic strength and the U.S. desire to deepen this relationship.

Given the UAE's role as a major oil exporter and the United States as a major petroleum importer, one might expect that these two countries' economic relations would be dominated by petroleum. In fact, the UAE sends very little of its petroleum to the United States. The relationship instead is characterized by a set of high-value trade and investment activities that often have little to do directly with oil exports. There are a host of prominent examples of the depth of this economic relationship, many of which have occurred in 2007:

- In December 2007, Dubai World, an investment arm of the Dubai government, purchased 5 million shares of MGM Mirage, increasing its share of the company to 6.5 percent.

- In November 2007, Emirates Airlines detailed plans to buy 12 Boeing 777s worth approximately $3.2 billion. This order, along with previous sales, means that Boeing will, on average, deliver one airplane a month to Emirates Airlines for at least the next four years.

- In November 2007, the Abu Dhabi Investment Authority announced a critical $7.5 billion dollar capital infusion into Citigroup. This will result in a 4.9 percent share in Citigroup, which had recently faced financial difficulties associated with subprime mortgage problems.

- In November 2007, Jafza International of Dubai announced its intention to establish a new warehouse and transportation hub in Orangeburg, South Carolina. The "greenfield" facility reportedly would involve a $600 million dollar investment in a location with high unemployment and create as many as 5,000 new jobs.

- In October 2007, Cold Stone Creamery of Scottsdale Arizona, in partnership with the Apparel Group of the UAE, made public its plans to open a retail outlet in Dubai's Festival City. This was followed in quick succession by two further premium ice cream outlets in December 2007.

- In October 2007, New York University, in partnership with the Abu Dhabi government, revealed plans to establish a comprehensive liberal arts university in Abu Dhabi. This effort, which will enroll its first students in 2010, will expand the influence of U.S. educational traditions, including adherence to principles of academic freedom and tolerance.

- In April 2007, the UAE provided a major gift to support new research at the Johns Hopkins Hospital in Baltimore. This follows a February 2006 announcement that the Johns Hopkins University would begin a 10 year affiliation under which it would manage the UAE's largest hospital and help establish a world-class center for cancer treatment.

Key Stats

- **The UAE is the largest export market for the United States in the Middle East.**

- **The U.S. trade surplus with the UAE rose over seven-fold from 2001 to 2006.**

- **The UAE ranked as the 19th largest export market for the United States in the world.**

- In March 2007, Halliburton, a major player in the oil services sector, announced plans to move its corporate headquarters from Houston to Dubai. The move reflects the new importance of the UAE as an international center of oil-related business deals and is a vote of confidence for the business climate in Dubai.

These instances are particularly notable in that they occurred after the controversy surrounding the attempt of Dubai Ports World to purchase port facilities in the United States. That episode did raise concerns about the potential for long-lasting strains. However, the continued development of economic ties between the two countries suggests that the controversy did not fundamentally damage ties.

Beyond these particular examples, overall statistics show a vibrant and dynamic trade and investment partnership.

In 2006, the UAE ranked as the 19th most important U.S. goods export market and 22nd for the first three quarters of 2007. This ranking is particularly striking given the small number of people who live in the UAE. Indeed, for the first nine months of 2007, U.S. exports to the UAE exceeded those sent to other much larger countries in the Middle East, including Turkey (by 66 percent) and Egypt (by 112 percent). This level of trade is also particularly impressive when compared to the UAE's neighbors in the high-income area of the Arabian Gulf. U.S. exports to the UAE alone equaled 94 percent of the combined total to the other GCC countries in 2006.

Another commonly used measure of the current state of this relationship is the bilateral trade balance. The United States has experienced a consistent and growing bilateral merchandising surplus with the UAE in recent years, which stands in stark contrast with the overall U.S. trade deficit as well as bilateral trade deficits with most trading partners.

Figure 1 shows that the U.S. trade surplus with the UAE rose over seven-fold from $1.44 billion in 2001 to over $10.5 billion in 2006. This compares to an overall trade deficit with all GCC countries that rose from $7.3 billion in 2001 to $14.3 billion in 2006. The UAE was the only GCC country with which the United States consistently ran a trade surplus for this period, including two free-trade-agreement partners (Oman and Bahrain) and two critical strategic partners (Saudi Arabia and Kuwait). Indeed, Qatar was the only other GCC country with which the U.S. ran a surplus in 2006 and this was only one-tenth the size of the UAE surplus ($1.1 billion).

This overall trade balance reflects large and volatile transactions in civilian aircraft over the period. However, even if one removes all aircraft exports from the data, the US bilateral surplus with the UAE remains significant: $1.16 billion in 2001 and $5.22 billion in 2006. Available data from the U.S. Department of Commerce does not include services trade between the U.S. and UAE. Thus, the vibrant oil services sector is absent from the trade balance figures. Inclusion of that and other services sector data would almost surely cause the reported surplus to be even larger.

U.S. foreign direct investment into the UAE has increased four-fold in the last few years, which reflects a strong vote of confidence by U.S. multinational firms in the UAE's future economic and political stability. In particular, the U.S. Bureau of Economic Analysis reports that the stock of U.S. foreign direct investment (FDI) in the UAE rose from $834 million in 2001 to at least $4.5 billion in 2006 on an historical-cost basis. Notably, this increase in the stock of U.S. investment in the UAE actually far surpassed that of Saudi Arabia, where U.S. FDI increased by only 22 percent--from $3.6 billion in 2001 to $4.3 billion in 2007.

The relationship clearly has been characterized by rapidly expanding trade and investment flows. The near total absence of serious bilateral trade disputes with the UAE is indicative of the health and stability of this mutually beneficial association. There have been no instances of either country bringing the other to the World Trade Organization (WTO) for review by the Trade Dispute Body. This reflects the lack of serious frictions between the two trade partners and that if trade disputes do arise, they can be handled without recourse to formal WTO procedures. The only major controversy to arise between the two countries occurred when Dubai Ports World planned to invest in U.S. port facilities, but the rarity of such problems is noteworthy.

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Negotiations to establish a possible FTA highlight the potential for an even deeper formal trade and investment relationship. There was progress on these negotiations, but press reports suggest that little advancement is likely in the foreseeable future. This lack of progress reflects lingering effects of the Dubai Ports World controversy, the lapse of the President's Trade Promotion Authority, and difficulties surrounding UAE agency laws. Instead, the U.S. Trade Representative and the UAE announced that they would build on the existing Trade and Investment Framework Agreement (TIFA), in place since 2004, through the formation of a TIFA-Plus Council. However, details about what a TIFA-Plus arrangement would entail are sketchy.

Nonetheless, the economies of these two nations continue to be more and more interrelated. The deepening relationship reflects a growing U.S. confidence that the UAE is an economic leader in the Gulf region. High oil prices will likely lead to strong economic growth throughout the region. However, U.S. businesses will likely be drawn especially to those countries with attractive economic environments and political stability. The evidence suggests that U.S. firms have decided that the business opportunities associated with the UAE's growing reputation for being what some observers have called the "Hong Kong of the Middle East" will lead to an even more profound economic partnership.

UAE Overview

The United Arab Emirates (UAE) is a federation of seven emirates situated on the Arabian Gulf and bordered by Saudi Arabia and Oman. The UAE has become an economic powerhouse in the region during recent decades, with the original impetus arising out of its petroleum exports, which reached 2.8 million barrels of oil per day in 2006. In a few years, the UAE has diversified its economy as a regional financial, services and tourism center. This movement to a non-commodity based export economy provides opportunities for U.S. businesses to tap into an increasingly complex economic environment in the UAE.

The UAE is recognized in the region as a business-friendly country with a government focused on economic reform and diversification. In fact, only about one-third of economic activity is in the petroleum and gas production sectors, compared to about three-fourths in 1980. Services, especially transport, represent about one-half of overall economic activity in the UAE.

Petroleum exports and a drive to diversify the economy have combined to bring economic prosperity to the UAE. The World Bank reports that in 2005 the overall UAE GDP reached $104 billion (in 2000 constant US dollars). This translates into a GDP per capita of at least $22,000 in 2005 for a population of 4.6 million (including non-UAE citizen residents). Economic growth has been strong in recent years, with an average of 9 percent per annum for 2004 and 2005.

The UAE's monetary and fiscal policies have resulted in a very stable macroeconomic environment. The UAE currency is currently pegged to the US dollar, in an effort to maintain external stability and low inflation. The expansion of oil income has resulted in a substantial increase in UAE government revenue, with a subsequent budget surplus and negligible tax burden. A substantial part of these funds has been used for investments across the world through agencies such as the Abu Dhabi Investment Authority, which manages an estimated $600 billion in overseas assets, according to the U.S. Department of State.

Some stresses associated with the rapid economic growth do remain. For example, labor-market pressures have resulted in the need to attract large numbers of workers from abroad, especially in construction. Concerns about UAE citizens' employment and business opportunities have created some restrictions on economic activities, especially by foreign nationals. For example, the UAE puts restrictions on the abilities of non-citizens to act as agents or licensees in commercial activities and limits foreign participation to non-majority status investments.

The recent rise in world oil prices means that national income and demand for quality goods and services will continue to increase in the UAE. As a result, the UAE holds a status as one of the richest non-OECD countries in the world, with expanding economic opportunities for those wishing to do business in the country. These opportunities are further enhanced by the UAE's commitment to an open trade and investment environment.

Overall UAE Trade Policy

The trade relationship between the U.S. and the UAE must be put in the context of overall UAE trade policy. The UAE currently provides a very open environment for international competition. One manifestation of that commitment is through its multilateral trade policy regime, conducted under the auspices of the WTO.

The UAE became a contracting party to the General Agreement on Tariffs and Trade (GATT) in 1994 and was an original member when the WTO was established. Consequently, the UAE has taken on all of the rights and responsibilities of membership in those organizations.

The UAE's tariff is reflective of the common external tariff developed within the GCC. A recent profile of UAE tariffs released by the WTO indicates the average final "bound" tariffs (i.e., the maximum tariff that can be charged under international obligations) for all goods is about 15 percent, compared to a 5 percent average applied tariff (i.e., the tariff actually imposed by the UAE in practice). For agricultural goods the average bound rate is 25 percent, while the average applied rate is 6.5 percent. These differences are an important reflection of the UAE's commitment to a more open international trade environment than mandated by international agreements. This compares favorably to other countries. By comparison, the average final bound tariff rate for India is 35 percent, compared to a 16 percent average applied tariff rate. Thus, U.S. exporters face average tariff barriers about three times higher in India than in the UAE. In addition, the WTO estimates that approximately 95 percent of imported goods into the UAE enter the country at an applied tariff rate of 5 percent compared to only 4 percent of India's imports.

The UAE's integration into the global economy is also reflected in the growth of imports and exports. The WTO reports that exports of goods and services from the UAE rose by almost 98 percent from 1995 to 2004, compared to 133 percent for imports. This increase in imports took place without the UAE using any of its WTO-consistent trade remedy laws: the UAE has never invoked antidumping or countervailing duty against any trading partner, including the United States. In addition, the WTO notes that the UAE has never been a complainant, a respondent, or a third party in any case at the WTO's Dispute Settlement Body.

In 2005, UAE total goods exports were distributed in the following manner: fuels and mining products, including petroleum (49.3 percent), manufactures (41.6 percent) and agriculture (2.9 percent). The two most important destinations for UAE exports were Taiwan (17.5 percent) and Japan (16.8 percent), both of which are major purchasers of UAE petroleum exports. For the same year, manufactures represented the lion's share of imports (84.6 percent). The two leading sources of UAE imports were the European Union (25.3 percent) and India (11.5 percent). The United States was not in the top five export markets for the UAE but was the fifth most-important source of imported goods into the UAE (6.2 percent of total).

The UAE has also begun negotiations with some countries on establishing bilateral trade agreements. The WTO Trade Policy Review reports that the GCC has undertaken at least some negotiations with China, the European Union, Turkey, Australia, and the United States (see below). None of these negotiations have yielded a final agreement to date.

An important aspect of UAE trade and economic policy are the so-called "free zones." These special economic zones play a critical role in the drive to diversify UAE exports. For example, many of the investments in light manufacturing take place in these zones. One particularly important aspect is that certain UAE economic regulations and laws are not applicable to activities in the free zones. For example, rules about licensing, agency requirements, and emirate majority ownership are not applicable to activities in the free zones. This is especially important in attracting foreign investment to the UAE.

U.S. Goods Exports to the UAE

U.S. exports to the UAE have grown dramatically in recent years. Figure 2 shows that sales of U.S. goods have increased from $2.64 billion in 2001 to over $11.92 billion in 2006, which represents an increase of 352 percent over a very short period. Some of this increase comes from civilian aircraft sales that tend to be recorded in large amounts that vary from substantially from year to year. However, even if one excludes the relatively volatile aircraft sales, one still sees a robust increase of sales from $2.36 billion to $6.6 billion, or an increase of 180 percent.

This increase in U.S. exports to the UAE is impressive by almost any measure, especially when compared to other countries.

For example, U.S. exports for the world as a whole rose only 42 percent during this same period. U.S. exports to all GCC countries rose by 132 percent, but excluding the UAE, this increase falls to only 59 percent. For the entire Middle East, including Egypt and Turkey but excluding the UAE, U.S. exports rose from $23.6 billion in 2001 to $37.1 billion in 2006, or an increase of 57 percent. These comparisons show that United States export opportunities were especially strong in the UAE, especially relative to both world performance and to other regional economies in the Middle East.

Another measure of U.S. export success in the UAE is to consider export sales per capita. Table 1 shows that in 2006 the United States sold goods worth $2,751 per capita in the UAE (or $1,424 per capita excluding airplane sales). This is far greater than U.S. sales to developed countries such as Israel ($1,558 per capita), Korea ($670), Germany ($501), or Japan ($468). U.S. sales to the UAE far exceeded those to other GCC members as well: Bahrain ($664), Kuwait ($821), Oman ($324), Qatar, ($1608), and Saudi Arabia ($330). Even Mexico, one of the U.S.'s most important trading partners, bought U.S. exports worth only $1,287 per capita in 2006.

Figure 3 shows the distribution of products to the UAE from the United States. Not surprisingly, aircraft sales are the single largest sector. Table 2 shows that goods exports to the UAE are distributed across many U.S. states. Exports from Washington and Texas made up just over 50 percent of the total in 2006. California and New York also play an important role in U.S. exports to the UAE, representing 8 and 6 percent of the 2006 totals. Another striking aspect of Table 2 is that it shows the growing export relationship between the UAE and a number of other U.S. states from 2001 to 2006 in terms of percentage change: Tennessee (1,366 percent), Ohio (319 percent), Florida (292 percent), New Jersey (157 percent), and Michigan (291 percent).

Tables 3 through 6 depict important export sectors for four individual states for 2001 and 2006. The figures show that U.S. exports to the UAE from these states are concentrated in high value-added sectors which create high paying jobs for those states' residents.

U.S. Imports from the UAE

Figure 2 shows that UAE exports to the United States have been relatively stable in recent years. In particular, total exports rose from $1.19 billion in 2001 to only $1.39 billion in 2006, or only a 16 percent increase over the entire period. Excluding petroleum exports, UAE sales to the United States increased from $0.86 billion to $1.18 billion in 2006, which represents a 36 percent increase.

The UAE sends very little of its petroleum sector exports to the United States.

The industry pattern of UAE exports to the United States for 2006 is depicted in Figure 4. Petroleum and petroleum products sector exports (HS 27) represents only 15 percent of exports. This might be surprising given the UAE's importance in world petroleum markets. But this low number reflects both the fact that the UAE petroleum sales go to other markets such as Japan, and that the UAE has diversified its exports. Aluminum products, for example, represent the single largest UAE goods export category to the United States (19 percent), an outcome which reflects the UAE's desire to expand beyond crude oil as an export commodity. In this case, the UAE can easily use its abundant fossil fuels as an input into energy-intensive aluminum production. Apparel sector exports (HS 61 and 62, combined) reached 13 percent of UAE exports to the U.S. However, it is important to note that apparel exports have fallen significantly from $311 billion in 2001 to only $184 billion in 2006.

The overall strong relationship between the two countries is reflected in the nearly absent trade disputes within the U.S. trade remedy system. Prior to 2007, there were no countervailing or antidumping duty cases involving UAE exports. In 2007, two antidumping cases were filed against the UAE, both involving very modest levels of trade. A final indication of the robust relationship is that the United States and the UAE have never been involved in any WTO dispute with each other.

U.S.-UAE Investment Relationship

The U.S. Bureau of Economic Analysis (BEA) reports that the stock of U.S. foreign direct investment (FDI) in the UAE rose (on a historical-cost basis) from $540 million in 1999 to $4.5 billion in 2006, an expansion that is depicted in Figure 5. These figures, however, do not contain statistics that would reveal the activities of individual U.S. firms, so these numbers are the lower bounds for investment activities.

This dramatic expansion translates into an increase of 742 percent in only seven years, which far exceeds the growth in overall U.S. outward investment of only 96 percent for all countries. The increase in U.S. investment in the UAE is also greater than the increase in India (270 percent), Israel (108 percent), Egypt (167 percent), and Saudi Arabia (30 percent). This impressive growth is one more indication of the increasingly intertwined nature of U.S.-UAE economic relations.

Much of this increase in U.S. FDI in the UAE has been concentrated in three sectors. Mining, which includes oil and gas, increased from only $74 million in 1999 to $2.1 billion in 2006, according to the BEA. Investments in financial services and insurance witnessed a similar, large increase, from $15 million in 2000 to $766 million in 2006. Finally, wholesale trade investment increased more modestly, from $159 million in 2000 to $494 million in 2006.

Data on UAE investments into the United States is harder to obtain from the BEA because of issues of proprietary information.

Nonetheless, recent investment activity is indicative of a stronger UAE presence in the United States. One notable example includes Bourse Dubai's purchase of a 20 percent stake in NASDAQ, which means the UAE-based firm will be the single largest investor in this important U.S. stock exchange. The UAE-based Mubadala Development Company acquired a 7.5 percent share in the Carlyle Group, a high-profile U.S. private equity firm. The UAE also recently announced a $622 million infusion into Advanced Micro Devices, a U.S. semiconductor firm. Dubai Ports World, which had been at the center of a major controversy about its attempt to purchase a firm that operated U.S. port facilities, has invested almost $2 billion in the real estate and retail sectors since that dispute arose in 2006.

Challenges

As with any two countries, there are naturally some challenges facing the U.S. and UAE economic relationship.

One of the most notable is a concern in some quarters about UAE direct investments in the U.S., especially those involving government-controlled funds. This was at the heart of the Dubai Ports World controversy in 2006. However, the vast majority of UAE investments have been completed with minimal public outcry in the United States, In fact, the UAE has been an important source of investment funds into the United States since the oil price booms of the 1970s.

One contributing factor to the relative lack of controversy in 2007 is that in at least two instances, UAE investments have been non-controlling. For example, the Abu Dhabi Investment Authority agreed that its 4.9 percent equity share in Citigroup would not result in any management role or involvement on Citigroup's governing board. Similarly, the UAE stake in NASDAQ reportedly would involve a 5 percent voting share, despite the 20 percent ownership. Nonetheless, the increased involvement of sovereign wealth funds (both from the UAE and other countries) in purchases of U.S. assets may generate controversy in coming months. This is likely to result in calls for increased transparency about how such sovereign wealth funds are operated, pressure that might resisted by many foreign governments, including the UAE.

Another challenge, especially if the economic relationship develops further, involves labor-market tensions within the UAE. There have been recent controversies about the treatment of foreign workers, such as housekeepers, nurses, and janitors in the UAE. This led to the establishment in 2007 of a UAE task force to draft new legislation that would guarantee new protections in this area. The failure to complete this would result in intensified criticism by labor and human rights activists and complicate the relationship, potentially leading to increased congressional skepticism about a possible free trade agreement.

In recent months, another problem has arisen with the depreciation of the U.S. dollar vis-à-vis important currencies such as the euro. This is a particular problem for the UAE, as world contracts for oil are priced in dollars. The resulting depreciation has reduced the ability of UAE residents to purchase imports from many countries across the world. Expatriate workers, especially those from South Asia, also have complained that funds sent back to their home countries are worth much less because of the falling dollar. This has also contributed to labor tensions in the UAE. There have even been some calls, so far strongly resisted by UAE authorities, to decouple the UAE currency from its fixed rate with the dollar. These calls will become louder if the U.S. dollar continues to fall in value against major currencies.

A final source of potential controversy comes from the UAE's role as commercial center in the Gulf, a region of complex security concerns. In August 2007, the UAE introduced a new export control law that includes stiff penalties for sending excluded items to unauthorized destinations and a total ban on the re-export of strategic military goods without explicit export licenses. Dubai Ports World has been a regional leader in cooperation with the U.S. Container Security Initiative, which is designed to increase security on U.S.-bound container ships. The UAE also signed on to the International Convention on the Suppression of the Financing of Terrorism in 2005. Despite these efforts, acts of terrorism or security problems in the region could complicate the relationship in unforeseeable ways.

Conclusion

The United States and the United Arab Emirates enjoy a robust economic relationship. U.S. exporting firms have a rapidly growing presence in the UAE economy, representing a wide range of products and services from a number of U.S. states. The recent increase in U.S. exports to the UAE far exceeds the overall increase in U.S. sales abroad, i.e., the UAE is becoming a far more important market for American firms and workers. Moreover, the UAE imports far more American products on a per capita basis than many other important U.S. trading partners. UAE exports to the United States, on the other hand, have increased much less dramatically over the last few years. These patterns are especially striking when compared to other high-income countries in the Gulf; U.S. exports to the UAE have grown far more than to other GCC member countries.

The bilateral investment picture also reflects an increasingly important relationship. In recent years, U.S. investors have turned to the UAE as a target country for foreign direct investment in far greater numbers. Once again, U.S. presence in the UAE economy has increased much more rapidly than in the world as a whole. UAE investors are also inclined to commit substantial funds in the U.S. economy. The pace of UAE investment, as evidenced by the prominent examples mentioned above, is likely to quicken in the near term if the price of oil stays high. But investment patterns from both sides indicate that each country's involvement in the other is likely to continue to increase in the coming years.

Continued UAE efforts to promote economic reform, an open investment climate and its expanded role as a Gulf business hub will encourage U.S. multinationals to invest funds in the UAE.

This developing relationship is all the more striking given the small number of trade and investment disputes between the two countries. Neither has taken the other to the WTO over a trade problem. There have been only two, very recent, U.S. antidumping cases involving UAE exports and none involving U.S. exports to the UAE. The only high-profile controversy between the two involved the political furor over the UAE's proposed purchase of U.S. port facilities.

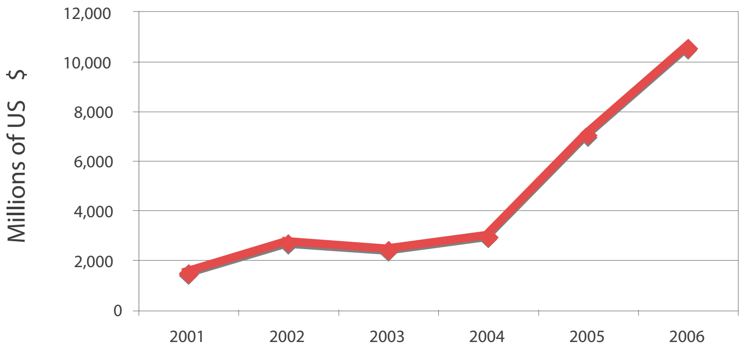
Looking to the future, one would certainly expect that the path of these increasingly intertwined economies would continue in the same direction. The price of petroleum is likely to remain high for the foreseeable future, which bodes well for continued robust economic growth in the UAE.

This translates into an on-going ability of the UAE to purchase U.S. products for which its consumers clearly have a strong demand. In addition, exports of U.S. services, ranging from health care, financial management, construction, education, and entertainment, will remain robust in coming years. Large inflows of petrodollars likely will continue to encourage UAE investment into U.S. assets, as its citizens and government seek new profitable opportunities in the world's largest economy. Continued UAE efforts to promote economic reform, an open investment climate and its expanded role as a Gulf business hub will encourage U.S. multinationals to invest funds in the UAE.

In short, the U.S. and the UAE enjoy a remarkably robust trade and investment relationship that is likely to deepen significantly in the future.

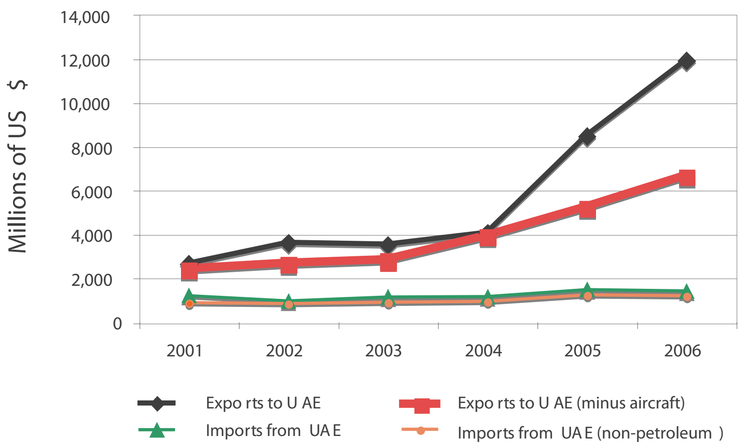
Tables and Graphs

Figure 1: US Goods Trade Balance with UAE



Source: US Depa rtment of Commerce (ts e.export.gov)

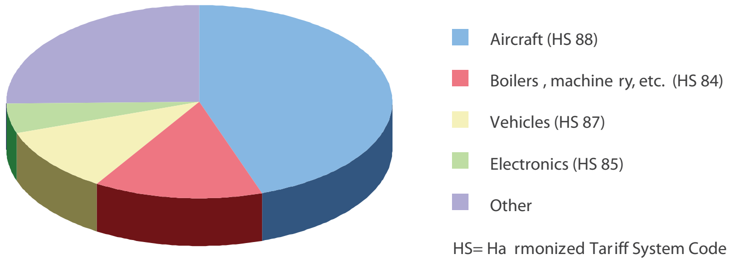
Figure 2: US-UAE Goods Trade



Source: US Depa rtment of Commerce (http://ts e.export.gov/)

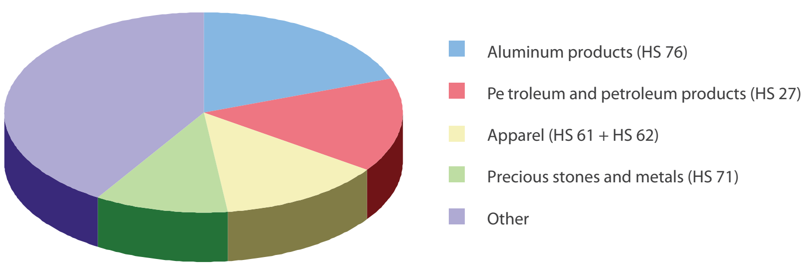
Tables and Graphs

Figure 3: US Exports to UAE (2006)



S ource: US Depa rtment of Commerce (http://ts e.export.gov/)

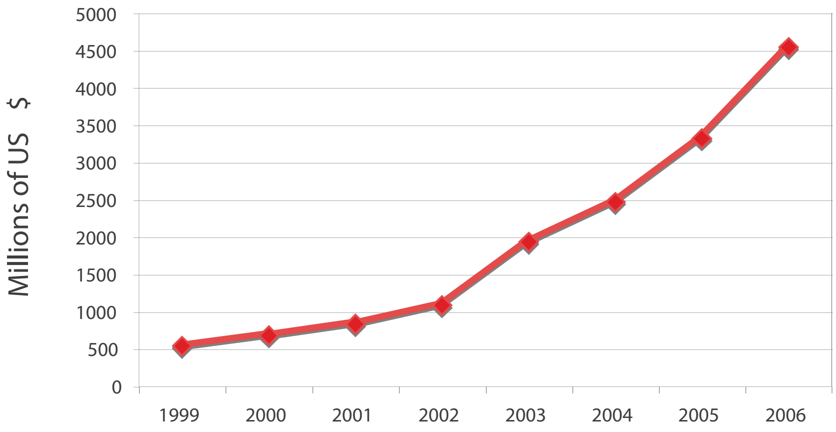
Figure 4: UAE Exports to US (2006)



S ource: US Depa rtment of Commerce (http://ts e.export.gov/)

Tables and Graphs

Figure 5: US Foreign Direct Investment in UAE



Source : U.S Bureau of Economic Analysis

Historical Cost Basis (All Industries)

Table 1: U.S. Goods Exports (per capita) in 2006	
UAE	$2,571
Qatar	$1,608
Israel	$1,558
Mexico	$1,287
Kuwait	$821
Korea	$670
Bahrain	$664
Germany	$501
Japan	$468
Saudi Arabia	$330
Oman	$325
Italy	$215

Source: U.S. Department of Commerce and the World Bank

Tables and Graphs

Table 2: State Exports to the UAE (Million of US $)								
2006 Rank		2001	2002	2003	2004	2005	2006	Percentage change (2001 to 2006)
	U.S. Total	2,640	3,598	3,510	4,064	8,477	11,921	352%
1	Washington	271	947	679	113	1,520	3,986	1370%
2	Texas	494	600	522	730	1,956	2,525	411%
3	California	226	263	280	398	1,141	942	317%
4	New York	290	286	228	537	653	754	160%
5	Tennessee	28	30	46	57	308	405	1366%
6	Ohio	72	80	94	198	321	304	320%
7	Florida	69	102	136	253	259	270	292%
8	Illinois	87	113	108	124	191	266	207%
9	Mississippi	8	8	10	11	189	241	2929%
10	New Jersey	70	82	97	112	139	181	157%
11	Michigan	38	62	123	133	178	150	292%
12	Wisconsin	45	42	54	55	87	121	171%
13	Georgia	65	97	127	132	114	120	84%
14	Louisiana	60	111	61	82	52	117	96%
15	Pennsylvania	55	45	57	69	80	107	96%

Source: U.S. Department of Commerce (http://tse.export.gov)

Table 3: Washington exports to UAE (Millions of US $)			
	2001	2006	Percentage change
Total	271	3,986	1370%
Transportation Equipment	232	3,919	1586%
Crop Production	12	24	88%
Computers & Electronic Products	15	12	-21%
Machinery	3	11	330%
Electrical Equipment, Appliances and Parts	2	4	103%
Processed Foods	1	3	201%
Fabricated Metal Products	0.6	3	318%

Source: U.S. Department of Commerce (http://tse.export.gov)

Tables and Graphs

Table 4: Texas exports to UAE (Millions of US $)			
	2001	**2006**	**Percentage change**
Total	494	2,525	411%
Transportation Equipment	32	1,409	4280%
Machinery	274	582	113%
Computers & Electronic Products	43	256	493%
Chemical Manufactures	63	114	81%
Fabricated Metal Products	13	38	197%
Primary Metal Manufactures	9	27	211%

Source: U.S. Department of Commerce (http://tse.export.gov)

Table 5: New York exports to UAE (Millions of US $)			
	2001	**2006**	**Percentage change**
Total	290	754	160%
Miscellaneous Manufactures	50	265	431%
Primary Metal Manufactures	87	180	107%
Machinery	69	76	11%
Computers & Electronic Products	19	75	296%
Transportation Equipment	4	44	961%
Chemical Manufactures	16	40	145%
Printing & Related Products	6	13	115%

Source: U.S. Department of Commerce (http://tse.export.gov)

Tables and Graphs

Table 6: California exports to UAE (Millions of US $)			
	2001	**2006**	**Percentage change**
Total	226	942	317%
Transportation Equipment	13	437	3364%
Computers & Electronic Products	85	182	114%
Crop Production	36	90	153%
Machinery	25	63	150%
Miscellaneous Manufactures	14	46	233%
Electrical Equipment, Appliances and Parts	8	29	247%
Chemical Manufactures	12	25	109%

Source: U.S. Department of Commerce (http://tse.export.gov)

About the US-UAE Business Council

The US-UAE Business Council is a collaboration of leading companies based in the United States and the United Arab Emirates that are committed to expanding bilateral commercial opportunities between the U.S. and the UAE.

According to U.S. government trade statistics, the United States exported nearly $12 billion in goods and services to the UAE in 2006—making it the largest U.S. export market in the Middle East and northern Africa. The United States is a profitable destination for UAE investment, especially in the real estate, manufacturing, and hospitality industries. And UAE investment in U.S. capital markets has been a dependable and long-term engine of growth for the U.S. economy.

Launched in May 2007, the US-UAE Business Council was inaugurated by His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces; His Highness Sheikh Abdullah bin Zayed Al Nahyan, Minister of Foreign Affairs; and 25 companies that comprise the Council's Founding Members and Board of Directors.

Leadership

The US-UAE Business Council is Co-Chaired by Joseph Robert, President & CEO, JE Robert Companies, and Khaldoon Al Mubarak, CEO, Mubadala Development Company. Co-Vice Chairs are Casey Olsen, Executive Vice President, Occidental Petroleum and Abdul Wahid Al Ulama, Group Chief Legal Officer, Dubai World.

For more information, visit www.usuaebusiness.org

About the Author

Michael Moore

Michael Moore is the founding Director of the Institute for International Economic Policy at the George Washington University's Elliott School of International Affairs. Professor Moore received his M.S. and Ph.D. in Economics from the University of Wisconsin-Madison and obtained a B.A. in Liberal Arts from the University of Texas at Austin.

He has had a joint appointment with the Elliott School of International Affairs and the Department of Economics at the George Washington University since receiving his doctorate in 1988. He served as associate dean of the Elliott School from 1995 through 1997 and was founding director of the International Trade and Investment Policy Program at the Elliott School. He also has taught international economics to U.S. diplomats at the Department of State's Foreign Service Institute.

Professor Moore served as Senior Economist for International Trade at the White House Council of Economic Advisers from July 2002 through July 2003.

He teaches courses at the undergraduate, masters and PhD courses on international economics.

Professor Moore's main area of research within trade is antidumping policy. His most recent research focuses on antidumping procedures in the United States and among new users in the developing world. Professor Moore has also done work on the economics of the U.S. and European steel industries, especially their adjustment to international competition and the growth of minimills.

Professor Moore spent 1984 to 1985 as a graduate student at the Christian-Albrechts-Universität in Kiel, Germany. During 1994-1995, he was a Fulbright Scholar in Brussels at the Center for European Policy Studies and a German-Marshall Fellow at the Fondation Nationale des Sciences Politiques ("Sciences-Po") in Paris. In summer 1998, he was a visiting professor at the National University of Singapore. Professor Moore frequently has taught a course on U.S. Trade Policy to graduate students at Sciences-Po.

Professor Moore speaks German fluently and is proficient in French and Spanish.

US-UAE Business Council

U.S. Chamber of Commerce
1615 H Street, NW
Washington, DC 20062-2000

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