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## GULF COUNTRIES TRADE RELATIONS WITH THE UNITED STATES

The article examines the complex structure of trade and economic relations between the Gulf States and the United States, complicated by military conflicts and affected by the influence of superpowers. The main purpose of this article is to reveal the history of the Gulf countries trade relations with the United States. The research methods included comparison and historical analysis of the facts of the Persian Gulf countries development. In the modern world, in view of the increasing role of the globalization process, the importance of economic integration organizations is growing. In this regard, an important position in the structure of economic groups is the Council for Cooperation of the Arab States of the Persian Gulf. The close relations of the Arabian monarchies with the United States have largely determined their own development paths and today form the basis of their economic policy. The situation in the development of trade relations between the Gulf States is also conditioned by the US intervention and recent events in Iran, which may again lead to an escalation of the military conflict and stagnation of trade relations. In view of this, it is necessary to use a political dialogue that does not allow for war, which can result in a decrease in trade indicators in the region. As a result of the research, it was possible to determine the main aspects of cooperation between the Gulf States and the United States, in terms of emerging problems and the complexity of mutual historical development.

**Key words:** the Persian Gulf, the United States, trade relations, integration, the Arab six, military conflict, oil.

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### Парсы шығанағы елдерінің АҚШ-пен сауда қатынастары

Мақалада Парсы шығанағы елдерінің АҚШ-пен әскери қақтығыстармен күрделене түскен және ірі державалардың әсерінен туындаған сауда-экономикалық күрделі құрылымы қарастырылады. Бұл мақаланы жазудың негізгі мақсаты Парсы шығанағы елдерінің АҚШ-пен сауда қарым-қатынастарының тарихы мен ерекшеліктерін ашу болып табылады. Зерттеу барысында Парсы шығанағы елдерінің даму фактілерін тарихи талдау және салыстыру-салғастыру әдістері қолданылған. Қазіргі таңда әлемде жаһандану үдерісінің рөлінің артуына байланысты экономикалық интеграция ұйымдарының маңыздылығы артып келеді. Осыған байланысты, экономикалық топтар құрылымында Парсы шығанағының Араб мемлекеттерінің ынтымақтастық кеңесі маңызды орын алады. Араб монархияларының Америка Құрама Штаттарымен тығыз қарым-қатынасы негізінен өзінің даму жолдарын анықтады және бүгінде олардың экономикалық саясатының негізін құрайды.

АҚШ-тың ішкі саясатқа араласуы мен Ирандағы соңғы шиеленістер Парсы шығанағы елдерінің сауда-саттық қатынастарына тікелей әсер ететіндікпен осы аймақта жаңа әскери қақтығыстарға әкеліп соғуы мүмкін. Осыған орай, аймақтағы сауда көрсеткіштерінің төмендеуіне себеп болатын соғысты болдырмау үшін саяси диалогқа жүгіну қажеттілігі туындайды. Зерттеу нәтижесінде Парсы шығанағы елдерінің АҚШ-пен байланыстардың негізгі аспектілері мен тарихи даму барысындағы қиындықтары көрсетілді.

**Түйін сөздер:** Парсы шығанағы, АҚШ, сауда қарым-қатынасы, интеграция, «Арабиялық алтылық», әскери қақтығыс, мұнай.

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### Торговые отношения стран Персидского залива с США

В статье рассматривается сложная структура торговых и экономических отношений стран Персидского залива с США, осложненных военными конфликтами и оказавшихся под

влиянием сверхдержав. Основной целью написания данной статьи является раскрытие истории возникновения, особенностей торговых взаимоотношений стран Персидского залива с США. Методы исследования включали сравнение, сопоставление, исторический анализ фактов развития стран Персидского залива. В современном мире, ввиду увеличения роли процесса глобализации, возрастает значение экономических интеграционных организаций. В этой связи важное место в структуре экономических группировок занимает Совет сотрудничества арабских государств Персидского залива. Тесные отношения аравийских монархий с США во многом предопределили их собственные пути развития и сегодня формируют основу их экономической политики. Ситуация развития торговых отношений стран Персидского залива обусловлена также вмешательством США и недавними событиями в Иране, которые могут опять привести к эскалации военного конфликта и стагнации торговых отношений. Ввиду этого формируется необходимость использования политического диалога, не допускающего войны, которая может вылиться в снижение показателей торговли в регионе. В результате проведенного исследования удалось определить основные моменты сотрудничества стран Персидского залива с США в аспекте возникающих проблем и сложности взаимного исторического развития.

**Ключевые слова:** Персидский залив, США, торговые отношения, интеграция, арабская шестерка, военный конфликт, нефть.

## Introduction

The term “Gulf countries” is using to refer to countries bordering the Persian/Arab Gulf on the Arab side. These are Iraq, Kuwait, Saudi Arabia, Bahrain, Qatar, United Arab Emirates and Oman. All of the above countries, with the exception of Iraq, are members of the Cooperation Council for the Arab States of the Gulf, formerly known as the Gulf Cooperation Council. Iran also borders the Persian Gulf on the northeast side, but it is usually not included in the above list due to significant religious, ideological and political differences in them (Kostyunina G., Lomakin N., 2014).

GCC created the Customs Union (GCC-TS) in order to expand regional domestic trade and promote the process of their economic integration with the rest of the world. At the same time, most GCC countries have separately signed Free Trade Area Agreements (FTA) with the United States and the EU. In addition, all GCC countries are currently members of the Greater Arab Free Trade Zone and all are members of the World Trade Organization (WTO). This proliferation of FTZ's and other integration schemes in the region is part of a recent global phenomenon. All over the world, there has been a sharp increase in the number of regional trade agreements created despite the growing role of the WTO in strengthening the multilateral trading system.

To penetrate the Gulf region, US's businessmen used the achievements of diplomats. Muskat was the starting point, with whose sultan on September 21, 1883, a very favorable agreement was signed. The agreement establishes the most favorable regime between the United States and the Sultanate Oman and gives to the American consuls broad powers, including the right to be “privileged judges in all disputes

and trials involving American citizens” (Fahad M., 2009). In addition to establishing diplomatic contacts, the agreement provided for substantial benefits for American companies. In particular, the agreement allowed American entrepreneurs to trade in all seaports of Arabia. American ships entering the ports of Muscat paid a tax of only 5% of the value of the cargo. In addition, American merchants living in the ports of the Sultanate were exempted from any taxes and additional fees. The stage of trade relations between the United States and the Gulf countries began from these events

## Justification of the choice of article and goals and objectives

The formation of US trade relations with the Gulf region occurred at the turn of the XIX-XX centuries. The intensification of the introduction of American business in the Gulf States was the result of a set of objective changes that have occurred in the American economy and foreign policy. First of all, it should be noted that in the 1890's in the US economy, an industrial revolution ended, which led to the emergence of large trade, financial and industrial associations and, in general, monopolization of the economy. The predominance of manufacturing in the structure of the US economic balance required a significant expansion of sources of raw materials and stimulated the search for new markets. A powerful US manufacturing base, on the one hand, has made the country a world leader in industrial production, and on the other, has gradually reduced the level of financial dependence on European banking institutions. This circumstance, in turn, created the possibility for American capital to more firmly invade the historically established spheres of interests of the great European powers. Secondly, there was a

departure from the isolationist policy that has been pursued by the American government since the middle of 19 century in the end of the XIX century in the foreign policy of the White House. This became apparent already during the Cleveland presidency, which the opposition called the “expansionist.” The Cleveland administration advocated the maximum expansion of US foreign trade and foreign economic activity in order to “provide industrialists with cheap raw materials that would open the door to foreign markets” (Rodrigues A., Kiselev K., Zakaurceva T., Belousova K., 1997).

**The main goal of the research** is to study the specifics of trade relations between the Gulf countries and the United States.

In accordance with the purpose, the following **objectives were formulated**:

To study the integration processes within the framework of the GCC;

To analyze historical events affecting the development of trade relations in the Persian Gulf and the USA;

To study the current problems of economic cooperation between the Gulf countries and the United States.

**Scientific research methodology** is represented by scientific research, comparison as well as historical analysis of events in the Persian Gulf.

### **Results and discussion**

The entry of American businessmen into the Iranian and neighboring Iraqi markets was very modest. The share of Muscat’s turnover in the total turnover of the region, including European and Turkish manufacturers, amounted to only 1.44%. This result can be explained by two circumstances. On the one hand, at the turn of the XIX-XX centuries American emphasis was placed on regional trade expansion. The countries of Latin America and the Caribbean were a priority for large American companies. It is no accident that subsequently the largest concerns, namely oil companies, had solid assets in the Gulf of Mexico. On the other hand, American products turned out to be unsuitable for the indigenous consumer, who was distinguished by low solvency. Finally, British entrepreneurs, extremely “jealous” of the appearance of competitors, tightly controlled trade in the ports of the Persian Gulf.

As a result, it was possible to establish trade contacts only with Iranian carpet production and to expand the trading assortment, conclude concession agreements with Russian and British companies that have long worked in the local market. In the field of carpet imports, the United States has achieved no-

table results. The largest centers for the production of carpets in Iran at the beginning of XX century are the cities like Sultanabad, Hamadan and Tabriz were considered, although small provincial industries existed almost everywhere. In Sultanabad, the mass production of carpets, which can be called a factory, was organized by Ziegler, a company operating in Tauris. American entrepreneurs succeeded in creating the “American Carpet Manufactory” in Hamadan and established independent export of carpets in the United States.

Finally, it should be noted that the most profitable element of the region’s trade are oil production and refining, were not available to American companies. It is no coincidence that a month before the US entered the “war” with the board of directors of Standard Oil (Standard Oil Co.), a special program was developed to correct the situation. Its essence was to study potential commodity markets, including the markets of the Middle East and the Persian Gulf, assess financial and other opportunities for competition, and also study the ways of participation of American companies in the most promising projects. This program was set out in a memorandum, which was discussed by the Board of Directors of Standard Oil and was adopted by the management (Fursenko A., 2015).

The World War I gave a new impetus to US trade policy. The hostilities practically did not affect the United States. Demand for goods from the UK, Germany, France, of course, declined in foreign markets. On the contrary, the demand for US export products increased sharply, which led to the intensive development of US industrial production. This circumstance, in turn, strengthened the position of the financial and industrial segment in the ruling elite of American society. The emergence of new elites in American society has seriously changed the principles of American foreign policy in general. Promising areas and areas of interest now included regions and countries that were traditionally considered possessions of the Old World. The statement of the Director of Standard Oil of New Jersey (Standard Oil Co. of New Jersey) read as follows: “The current policy of Standard Oil is to show interest in any field of production, regardless of the country in which it is located” (Kolobov O., 2008).

More than half of the existing regional trade agreements around the world were created after the creation of the WTO in 1995. This renewed interest in studying the trade and non-trading effects of regional trade agreements (RTS) and their advantages or disadvantages over the multilateral trading system sponsored by the WTO (Abdmoulah W., 2011).

Since many members of the GCC are major exporters of oil, most of the trade is conducted with countries outside the GCC, in particular with Japan, the EU and the United States. If oil is excluded from trade, the GCC's domestic export will make up a significant share in the total GCC export (26.7%), comparable to successful trade agreements such as MERCOSUR and ASEAN. These suggest that the domestic trade in the Gulf countries is quite intense and the economies of the countries are more integrated in trade than this can be evidenced by the totality of data (including oil). Contrary to the stylized view that MENA countries (the Middle East and North Africa) trade little with each other, the Gulf countries actually trade more with each other.

Due to the unfavorable situation of Gulf investors in the American market after the events of September 11, 2001, more and more investors from the region transferred their funds to European, Asian and local markets. In particular, Saudi investors withdrew huge funds from the United States worth more than \$ 100 billion. These colossal resources were carefully reinvested in assets that were less risky, such as European securities and real estate in the Arab and African states, especially in the United Arab Emirates, Lebanon and Egypt. But most of the stock returned to the Saudi securities market, strengthening the local exchange.

The discriminatory policies of US agencies faced by Arab and especially Saudi investors, combined with WTO pressure on the Gulf countries to force them to open their economies, are turning a positive side for Arab exchanges.

Since 2003, the Customs Union has been operating, although in an incomplete format. It was the beginning of the transition period for the formation of the Customs Union for 2003-2009, which is necessary to adapt to the organization of procedures for the joint collection of taxes and their distribution, for the import of medicines and pharmaceuticals, food imports and customs protection of a number of industrial goods, protecting the interests of local officials. These issues were identified in the document "Procedures and measures for the implementation of the Customs Union" (Sabbagh K., 2012). At the end of the transition period, customs posts at internal borders were abolished. The members of the Arab Gulf Cooperation Council turned into a single customs territory, where customs posts were transferred to external borders, and a single customs territory was created. The Customs Union seeks to lower prices, increase the level of competitiveness of production and optimize the use of available resources. A single external tariff was introduced with

a 5% customs duty on goods imported from non-EU countries, with rates ranging from 9% to 100%. In mutual trade, there is a duty-free regime, as well as a single customs legislation based on the principle of "single point of entry" (Shinji T., 2012).

The problem is an agreement on a free trade zone between Bahrain and Oman, on the one hand, and the United States, on the other, which negatively affects relations with other states of the region.

There are large-scale integration processes in the countries of the Arabian Six. However, not everything is as clear as the participants prefer. There is a large number of contradictions in the participating countries, ranging from the separate conclusion by the Gulf states of agreements on the creation of free trade zones with the United States and ending with the issue of expanding the GCC with the addition of new members (Shkvarya L., Kravcov A., 2012).

Basically, the role of the oil-producing countries of the Persian Gulf in the global economy is determined by their huge hydrocarbon resources. Economic and socio-political processes taking place in the region have a direct impact on various world problems. Such problems are represented by the speed of economic growth, the geopolitical situation, relations and other components. Oil has become an important raw material for almost all countries of the world, so it becomes obvious that the largest oil exporting countries can have a great influence on the processes taking place in the global economy.

As know, the Gulf countries are the largest producers and exporters of oil in the world. Thus, the region's share in world oil production is 32%, the richest country with hydrocarbons is Saudi Arabia which makes up more than 13% of world oil production. Due to the high level of oil production, these countries, 6 out of 8 of which are members of OPEC, can influence world oil prices, reducing and increasing oil production. In addition to national companies in the region, transnational oil concerns such as Shell, ExxonMobil and British Petroleum (BP) are currently operating. In addition, Iran and Qatar are among the five countries producing the largest amount of natural gas.

The United States established diplomatic relations with Qatar in 1972 after gaining its independence from the United Kingdom in 1971. Bilateral relations are strong and the United States and Qatar are closely coordinating their efforts on a wide range of regional and global issues. Qatar plays a constructive financial, political and military role in resolving regional issues and, in partnership with the United States, contributes to progress, stability and prosper-

ity in the region. The United States and Qatar are also collaborating on security in the Gulf region, in particular through the deployment of the Al-Udeid Air Force Base and CENTCOM Advanced Headquarters, as well as Qatar's support for the North Atlantic Treaty Organization and US military operations in the region. Qatar is a major springboard for air operations against the Islamic State in Iraq and Syria. The United States annually accepts thousands of Qatari students to study in the United States and the six largest American universities have branches in Qatar.

The United States and Qatar have extensive economic ties. Being the largest foreign direct investor of Qatar and its only largest source of imports, the United States has developed strong trade relations with Qatar, with more than 120 American companies operating in the country. For example, the United States is one of the main suppliers of equipment for the oil and gas industry in Qatar, and American companies have played a significant role in the development of the oil and gas sector and petrochemicals.

Exports to Qatar include airplanes, cars, vehicles, optical and medical instruments, as well as agricultural products. The United States imports liquefied natural gas, aluminum, fertilizers and sulfur from Qatar. The United States and Qatar have signed a trade and investment framework agreement and participate in annual bilateral strategic dialogues. Qatar has announced its intention to invest \$ 45 billion in the United States in addition to billions of dollars in military and aviation contracts.

Qatar and the United States belong to a number of the same international organizations, including the United Nations, the International Monetary Fund, the World Bank and the World Trade Organization. Qatar is an observer to the Organization of American States.

The states of Europe and the USA have adopted a set of measures to reduce the energy dependence of the Gulf countries. For this reason, an increase in the share of other energy sources, as well as the rapid development of alternatives, a sharp decrease in fuel consumption for automotive engines and many industries due to a large-scale environmental threat, led to a drop in prices and the cessation of OPEC hegemony.

The global economic crisis of 2008 lowered prices for a while, but in April 2011, Brent reached a new high of \$ 126.9. Fundamental changes began in late summer 2014, when oil prices began to fall steadily. Following the decision of OPEC countries not to lower oil quotas on November 27, 2014, the price of black gold for the first time in 4 years fell

below the threshold of 70 \$ per barrel.

It is worth noting that in 2013, 17 million and 3.8 million barrels of oil were delivered daily through the Strait of Hormuz and Bab el-Mandeb. The Strait of Hormuz is located between Oman and Iran and connects the Persian Gulf and the Arabian Sea, is the world's largest oil transportation site. In the Strait of Malacca, which follows it, pass daily 15.2 million barrels. There are 4 ports that are included in the first hundred ports of the world in terms of cargo turnover: Aljubail (Saudi Arabia), Jeddah (Saudi Arabia), Bender Abbas (Iran), Dubai (United Arab Emirates) in the Persian Gulf and the Red Sea (Zabra R., 2012).

These factors explain the region's most important strategic role for the global economy. Any conflict in the Middle East or political tensions can have a significant impact on the world oil market. The bulk of oil exports to the region are in Asia and Oceania. Only through the Strait of Hormuz 85% of oil goes to Asian markets, where China, India, Japan and South Korea are the main importer of oil. China imports more than 5.6 million barrels daily, only the United States exceeds it (7.7 million barrels). These countries are the main buyers of Arab oil. In particular, China accounts for 60% of Oman's oil exports. It also imports most of Iran's oil, which is not supplied to North America due to sanctions. In general, the needs of Asian countries for hydrocarbons are mainly satisfied by the Gulf countries. They also make up the bulk of oil imports from Middle Eastern states (Kosov Yu., 2012).

Among the significant contradictions, the main 3 categories stand out, which will be considered in more detail: territorial issues; disagreements on financial, trade and customs relations; regional and international issues.

Bahrain in 2004 and Oman in 2008 significantly undermined the confidence of Saudi Arabia in them. The aforementioned states signed a unilateral agreement to create free trade zones with the United States. Saudi Arabia considers the signing of this agreement unlawful due to the fact that, according to the "economic agreement" (2001), signed by the countries of the Arab Six, they established a single import tax, unified customs and registration procedures and there are no customs duties on all goods imported for territory of the GCC member countries. Explaining its negative attitude towards this, Saudi Arabia suspended the provision of annual financial assistance to Manama, and severe restrictions were imposed on the import of goods from Bahrain. The position of Kingdom of Saudi Arabia is legal: signing agreements with the United States on free trade zones does not meet the

economic interests of the Commonwealth countries, since the United States makes up 10% of total imports, while the EU and China provide 70% of all imports from the Persian Gulf.

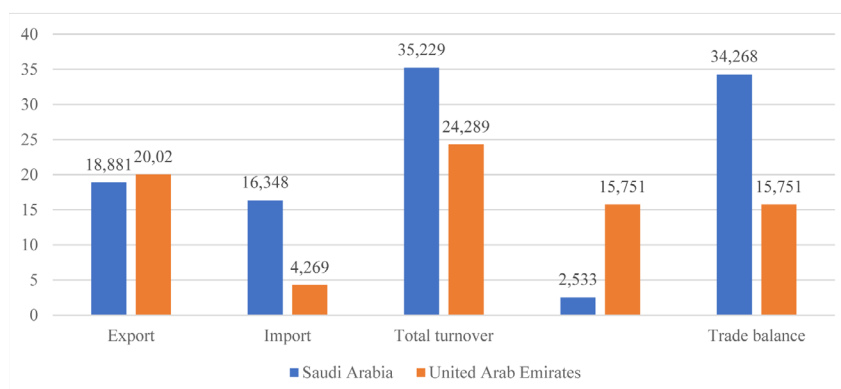
The escalation of the conflict between the United States and Iran in 2020, which was caused by the assassination of an Iranian general in Baghdad, could affect the entire Gulf region. But first, it will affect Iraq. The death of Kassem Suleimani can lead to rapid military escalation. Suleimani was not only the main strategist in Tehran’s aggressive policy in the Middle East, especially in Syria or Iraq. In essence, he was the face of Iran’s policies in the region. Therefore, his death is perceived by the Iranian side as a loss of face and a declaration of war by Washington. There is no doubt that Iran’s reaction will follow. Tehran’s most likely move could be an escalation of the situation in Iraq. It will not be diffi-

cult to destabilize the political situation in this country, where a power vacuum has formed as a result of several months of anti-government protests and the resignation of Prime Minister Adel Abdel Mahdi (Knipp K., Videnhyofer Yu.).

The following are the main indicators of US trade with the Gulf countries.

The US trade deficit with Saudi Arabia amounted to 10.5 billion US dollars in 2018, an increase of 313.2% (7.9 billion US dollars) compared with 2017. Exports of US goods to Saudi Arabia amounted to 13.6 billion US dollars, which is 16.7% (2.7 billion US dollars) less than a year earlier. Corresponding US imports from Saudi Arabia amounted to \$ 24.1 billion, an increase of 27.6%. Saudi Arabia was the 23rd largest US export market for goods in 2018.

The following figure 1 presents data on US imports and exports with Saudi Arabia and the UAE.



**Figure 1** – Indicators of US imports and exports with Saudi Arabia and the United Arab Emirates in 2019, billion US dollars. Note: source (Robert E., 2019)

It can be seen from the figure that Saudi Arabia had the largest total turnover with the United States and amounted to 35.229 billion dollars in 2019. Whereas with the UAE, trade amounted to 24.289 billion dollars.

US service exports to Saudi Arabia in 2017 were estimated at \$ 9.2 billion (the latest available data) and US imports at 1.2 billion dollars. In 2016, sales of services in Saudi Arabia by US affiliates amounted to 4.6 billion dollars (latest available data), while sales of services in the United States by most Saudi Arabian firms amounted to 1.8 billion dollars.

US foreign direct investment (FDI) in Saudi Arabia (shares) amounted to 11.1 billion dollars in 2017 (the latest available data), which is 4.7% more than in 2016. US direct investments in Saudi Arabia

are made by non-bank holding companies, mining and wholesale.

As a member of the Gulf Cooperation Council (GCC), Saudi Arabia applies a common external ad valorem tariff of GCC in the amount of five percent of the cost of most imported goods, with the exception of a number of specific countries. Tariff rates range from 6.5% to 40% for goods competing with domestic industries.

In 2016, GCC member states agreed to introduce GCC excise taxes on sweetened carbonated drinks (50%), energy drinks (100%) and tobacco products. However, as of 2018, not all GCC member states have introduced this tax. American beverage manufacturers note that the existing tax structure does not solve public health problems and negatively affects American products, noting that sweet juices

are produced domestically remain tax-exempt. Saudi Arabia began levying taxes in July 2017 (Robert E., 2019).

GCC member states agreed to introduce a total value added tax (VAT) of 5%. VAT application also varies by Member State. Saudi Arabia began applying VAT in January 2018.

Saudi Arabia bans the import of 37 categories of goods, such as alcohol, pork, gambling devices and drones. In addition, a special permit is required to import 23 categories of “prohibited” goods, such as pharmaceuticals, wireless equipment and weapons (ammunition).

Stakeholders in the US private sector have expressed concern about Saudi customs policies and practices, including inconsistent application of regulations, inaccurate pricing of duties, and untimely clearance of goods, and the lack of a mechanism for US exporters to obtain a preliminary decision on Saudi customs procedure. However, a change of leadership in the Saudi customs administration in 2017 reportedly led to a decrease in documentation requirements, a reduction in clearance times at major ports and increased cooperation between Saudi Arabia’s trading agencies. In 2018, the Saudi Customs Administration continued its efforts to make customs policies and procedures more conducive to business.

Saudi Arabia ratified the WTO Trade Facilitation Agreement (TFA) in July 2016. Although she took advantage of the flexibilities for developing countries contained in section II of the agreement, and assigned all obligations in section I to category A, which meant that they would be fulfilled after the entry into force of the Free Trade Agreement. However, despite the fact that four sections I of the transparency provisions were developed as category A, Saudi Arabia still has not provided relevant information that should have been received by the WTO secretariat after the agreement entered into force on February 22, 2017.

For the last few years, Saudi Arabia has revised technical regulations for various types of products, based primarily on the standards developed by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Saudi Arabia is increasingly reluctant to adopt some other international standards, such as those developed by US-based organizations, through open, transparent, and consensus-based processes that can meet or exceed Saudi objectives. Saudi Arabia’s refusal to adopt these other international standards, which are often used by American manufacturers, creates significant market restrictions for some

industrial and consumer products exported from the United States. US government officials continue to convince the Saudi government of the importance of adopting international standards developed by organizations residing in the US (2019).

Saudi Arabia develops and implements new energy efficiency standards for various products, including vehicles, air conditioners, electrical appliances, lighting, electric motors, energy use, Tires and insulation, which can serve as unjustified barriers to trade. Collaborating with the US government, some US standards development organizations have ensured that their standards are included in updated energy efficiency regulations. The United States continues to insist that Saudi Arabia develop and fully implement appropriate stakeholder consultation mechanisms in the regulatory decision-making process so as to provide interested parties with the opportunity to comment on the draft rules and provide a reasonable time to take them into account.

Saudi Arabia suspended the import of American poultry in June 2018 due to the introduction of rules prohibiting stunning birds before slaughter. US officials informed the Saudi Food and Drug Administration (SFDA) that the US manufacturing system and government regulations ensure that the bird is alive before the slaughter process begins.

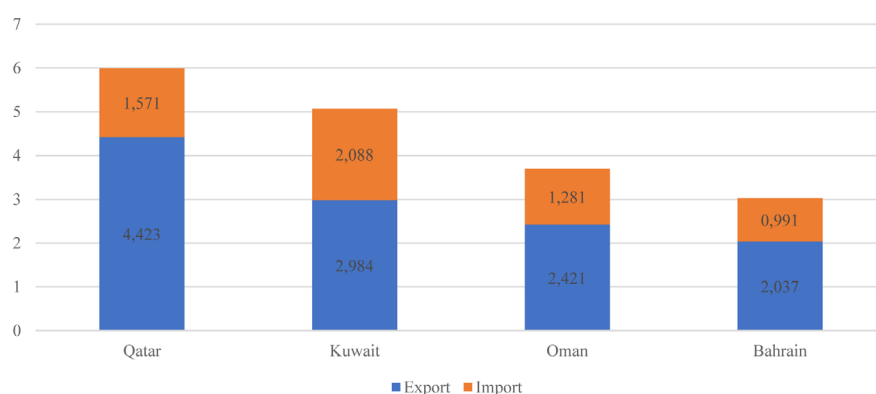
Although the Codex Commission is currently developing a manual, Saudi Arabia introduced a voluntary packaging labeling front for the food labeling program in September, 2018.

The US trade balance with Bahrain has shifted from a trade deficit of 98 million dollars in 2017 to a trade surplus of 1 billion dollars in 2018. Exports of US goods to Bahrain totaled 2 billion dollars, up 126.7 % (1.1 billion dollars) from the previous year. The corresponding US imports from Bahrain amounted to 991 million dollars, a decrease of 0.5%. Bahrain was the 64th largest US merchandise export market in 2018.

Exports of US services to Bahrain in 2017 were estimated at 344 million dollars (according to the latest available data), and imports to the United States - at 1 billion dollars. Sales of services in Bahrain by companies owned by most US companies amounted to 270 million dollars in 2016, while sales of services in the United States by companies owned by most companies in Bahrain amounted to 1.4 billion dollars.

US foreign direct investment (FDI) in Bahrain (shares) amounted to 423 million dollars in 2017, which is 10.4% more than in 2016.

The following figure 2 % data on imports and exports with some Gulf countries.



**Figure 2** – Data on exports and imports of the Persian Gulf countries and the United States in 2018, billion US dollars.

From reviewed countries, Qatar has the largest export from the USA which is equal 4.423 billion US dollars. The largest import from Kuwait is equal 2.088 billion US dollars.

Under the Free Trade Agreement between the United States and Bahrain (FTA), Bahrain provides duty free access to all industrial and consumer goods. A bilateral investment agreement between the United States and Bahrain, which entered into force in May 2001, covers investment issues between the two countries.

In March 2018, GCC member states notified the WTO of a draft measure that inter alia would require pre-market testing for prohibited materials in electrical goods using accredited laboratories. It will also require annual registration of each type of product, including the presentation of product samples prior to obtaining permission to use in the GCC. The United States expressed concern that pre-market testing could have a large negative impact on the USA, the electrical and electronic equipment industries (such as information and communications technology, medical equipment, machinery, and smart fabrics), especially since this practice are different from common practice regarding hazardous substance restrictions (RoHS), which usually allow self-declaration of compliance.

In 2016, six GCC member states, acting through the Persian Gulf Standards Organization (GSO), notified WTO members about a project for regional regulation of energy drinks. The US government and US private sector stakeholders raised concerns and expressed concern about the draft rules, including labeling requirements for recommended consumption and container size, as well as potential differences in labeling requirements among GCC member states.

In April 2017, GCC member states notified WTO members of a new proposed regulatory and

conformity assessment scheme that would regulate permission to sell cosmetics and personal care products. The United States expressed concern that neither the GCC nor its Member States indicated whether the regional scheme would replace existing registration requirements at the national level or would work in addition to national programs, potentially introducing a scenario in which Member States require duplicate and inconsistent registration procedures for cosmetics and personal care products of relatively low risk.

The trade surplus of the United States with Qatar in 2018 amounted to 2.9 billion dollars, an increase of 48% (925 million dollars) compared to 2017. Exports of US goods to Qatar amounted to 4.4 billion dollars, which is 41.6% (1.3 billion dollars) more than a year earlier. Corresponding US imports from Qatar amounted to 1.6 billion dollars, which is 31.3% more. Qatar was the 47th largest US merchandise export market in 2018.

Sales of services in Qatar by most US affiliates amounted to 595 million dollars in 2016 (the latest available data), while sales of services in the United States by most Qatar-owned firms amounted to 338 million dollars.

US foreign direct investment (FDI) in Qatar (stocks) amounted to 8.2 billion dollars in 2017, which is 3.1% more than in 2016.

As a member of the Gulf Cooperation Council (GCC), Qatar applies a common external ad valorem tariff for GCC for 5% of the cost of most imported goods, with the exception of a number of specific countries. The exceptions are alcohol (100%), tobacco (100%), urea and ammonia (30%), steel and cement (20%), records and instruments (15%). Wheat, flour, rice, feed grain and milk powder are exempted from customs duties, in addition to more than 600 other goods.



To import most products is required license to import. Qatar issues import licenses to Qatari citizens, Qatari partners in limited liability companies or foreign companies operating in Qatar and registered with the Ministry of Trade and Industry. Qatar sometimes established special procedures through state-owned companies to address the problem of rising demand. Only authorized local agents are allowed to import goods produced by foreign firms that they represent in the local market. In the telecommunications sector, companies registered on a commercial basis in Qatar can import telecommunications equipment by obtaining import permission from the regulatory authority for communications. Qatar Distribution Company, a subsidiary of the national airline Qatar Airways, has exclusive authority to import pork, pork products and alcohol.

In order to release goods from customs zones in ports or on the land borders of Qatar, importers must submit various documents, including a detailed customs declaration, bill of lading, certificate of origin, proforma invoice and import license. The Qatar Embassy, the Qatar Consulate or the Qatar Chamber of Commerce in the United States must authenticate the import documentation for imports from the United States. This counseling requirement is burdensome and expensive for US exporters.

The trade surplus of the USA with Kuwait amounted to 896 million dollars in 2018, which is 59.6% less (1.3 billion dollars) compared to 2017. Export of American goods to Kuwait amounted to 3 billion dollars, which is 42% (2.2 billion dollars) less than the previous year. Corresponding US imports from Kuwait totaled 2.1 billion dollars, which is 28.6% less. Kuwait was the 53rd largest US merchandise export market in 2018.

In 2016, sales of services in Kuwait by most US affiliates totaled 515 million dollars (the latest available data), while sales of services in the United States by most Kuwaiti firms amounted to 549 million dollars. Foreign direct investment in Kuwait (shares) amounted to 296 million dollars in 2017, which is 18.4% more than in 2016.

Kuwait prohibits the importation of alcohol, pork, used medical equipment, cars older than five years old, books, periodicals or films that offend religion and public morality, as well as any materials that promote political ideology. All imported meat requires a medical certificate issued by the country of export and a halal food certificate issued by an approved Islamic center in that country.

Since 2017, US exporters have experienced a significant increase in the rejection of halal-certified beef and turkey processed products, with Kuwaiti

officials claiming that traces of pork were found in the cargo during tests conducted by government laboratories. Although DNA tests conducted by exporters for such consignments in US certified laboratories prior to export to Kuwait did not consistently detect pork, Kuwaiti officials refused to take these tests into account, resulting in economic losses for US meat suppliers.

The trade surplus of the United States with the United Arab Emirates amounted to 14.5 billion dollars in 2018, which is 7.7% less compared to 2017. US exports to the United Arab Emirates totaled 19.5 billion dollars, a 2.4% decrease (471 million dollars) from the previous year. Corresponding US imports from the United Arab Emirates amounted to 5 billion dollars, an increase of 17.3%. The United Arab Emirates was the 19th largest US export market for goods in 2018.

Sales of services in the United Arab Emirates by companies belonging to most of the United States companies in 2016 amounted to 8.7 billion dollars (latest available data), while sales of services in the United States by companies belonging to most of the United States companies The United Arab Emirates amounted to 2.5 billion dollars.

US foreign direct investment (FDI) in the United Arab Emirates (UAE) amounted to 16.8 billion dollars in 2017 (the latest available data), which is 23.7% more than in 2016. US direct investment in the United Arab Emirates comes from mining, wholesale, and manufacturing.

In 2018, the UAE introduced additional tax rules. In May, the government issued Decree number 23 of 2018, which establishes that the Ministry of Justice is responsible for overseeing the committees established to resolve tax disputes. Decree number 25 of 2018 clarifies the application of VAT to gold, silver and diamonds. And Decree number 26 of 2018 "nullifies" the services provided at exhibitions and conferences. Since June, Abu Dhabi has introduced an additional 30% duty on the retail sale of alcoholic beverages in the emirate. In July, the UAE Cabinet of Ministers approved a VAT refund for tourists, which was due to take effect in November. According to the UAE Federal Tax Service, a refund will be available to non-residents of the UAE for purchases in excess of 68 dollars. The system will initially be available at the airports of Abu Dhabi, Dubai and Sharjah, but will eventually be expanded to 12 points of departure, including land border crossings and ports.

Only UAE-registered companies that must have at least 51% ownership in the UAE can obtain import licenses. This license requirement does not ap-

ply to goods imported into free zones. The import of certain goods for personal consumption does not require an import license.

The UAE requires that documents for all non-agricultural imported products must be certified by the UAE Embassy in the United States, including a purchase order from a forwarder or line agent, a commercial invoice from the original supplier, certificate of origin, and packing list. This counseling requirement is burdensome and expensive for US exporters.

In 2018, the UAE introduced technical regulations for a wide range of products, including automotive spare parts, small cars, tobacco and tobacco products, terrestrial radios, as well as 22 new regulations on food, oil, gas, chemical and cosmetic products. In 2018, the UAE also issued technical requirements for automotive electronic call systems.

The trade surplus of the United States with Oman amounted to 1.1 billion dollars in 2018, an increase of 24.3% (223 million dollars) compared to 2017. Exports of US goods to Oman amounted to 2.4 billion dollars, up 22% (436 million dollars) from a year earlier. Corresponding US imports from Oman amounted to 1.3 billion dollars, an increase of 20%. Oman was the 60th largest US merchandise export market in 2018.

US export of services to Oman in 2017 was estimated at 528 million dollars (the latest available data), and US imports were 258 million dollars. Sales of services in Oman by most US affiliates amounted to 468 million dollars in 2016 (the latest available data). Most Omani firms did not sell their services in the United States.

US foreign direct investment in Oman (stocks) amounted to 1.8 billion dollars in 2017 (the latest available data), which is 16.2% more than in 2016.

Under the Free Trade Agreement between the United States and Oman (FTA), Oman provides duty-free access to all industrial and consumer goods, as well as comprehensive obligations regarding services and investments.

Companies importing goods into Oman must register with the Ministry of Commerce and Industry. The import of certain classes of goods, such as poultry, livestock, alcohol, firearms, drugs and explosives, requires a special license. Import media files to be checked for potentially offensive content.

Companies importing American goods sometimes report difficulties in demonstrating the right to a preferential tariff regime under the FTA for goods arriving in Oman by land through the United Arab Emirates. Inconsistent application of the requirements of the Royal Customs Authority of

Oman (ROP customs authority) regarding labeling of origin, segregation and other documentation and the absence of any published official guidelines in these areas.

Given the nature of the economy of the Gulf countries, which still depend on oil revenues, any budgetary constraints will lead to a decrease in economic activity and a slowdown in economic growth.

“Economics” lowered its estimates of the growth of Saudi Arabia in 2019. It was noted that the economic recovery projected by some experts is unlikely.

Slower growth may be related to the situation in the oil sector, oil production fell below 10 million barrels per day in the second quarter of 2019 amid falling global demand and agreed production restrictions between Russia and Saudi Arabia and other countries. Some even calls it the new Cold War between East and West. During the presidency of Donald Trump, disagreements between the United States and China intensified and reflected in the policies of these countries in the Gulf states.

### Conclusion

Under the current market conditions, the Persian Gulf countries’ priority goal is to maintain their market share. Not only they are actively dumping deals against other exporting countries, but they are also fighting a fierce battle for markets. Subject to the lifting of sanctions, in six months Iran will be able to supply 3.6 million barrels daily, which is 0.8 million more than the current figure. This will exacerbate the price war. And although now importers, rather than exporters, have more influence on the dynamics of oil prices, the Gulf countries to a large extent determine the conditions for the struggle on the black gold market.

Gulf trade with the United States is mainly focused on oil trading. At the same time, the main problems faced by the United States in this region are represented by the confrontation with Europe in terms of the dominance of the presence in the region, ongoing military conflicts and US interference in the domestic politics of the region. Gulf States are interested in trade cooperation with the United States, however, this complicates the processes of internal cooperation and the contradictions of the Gulf countries.

The United States exports to the Gulf countries consumer goods, which are mainly represented by electronics, spare parts for machine assembly, meat, drinks, cosmetics, etc. At the same time, there are constant changes in the requirements of Arab coun-

tries for goods from the United States, which creates obstacles to trade. Basically, these claims are related to the quality of goods, their compliance with religious beliefs. Oil and oil products that are actively

exported by the United States from the Gulf countries. In the near future, the orientation of trade relations will continue if trade cooperation is not complicated by military conflicts.

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