MENA-U.S.
Trade and Investment Report

Promoting Business between the U.S. and the MENA region

April 2015

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1. Background on MENA

MENA is an acronym for "Middle East and North Africa," a geographic classification for a group of countries extending from Morocco in northwest Africa to Djibouti in southeast Africa, and Iran in southwest Asia. According to the World Bank, the MENA region consists of 21 member countries, of which 18 are Arab nations, in addition to the Islamic Republic of Iran, Malta and Israel.

Whichever definition of MENA is used, it is a region unique in its geopolitical setting and supported by a longstanding history of strategic international economic relations and strong political dialogue.

The MENA region is endowed with a wealth of natural petroleum resources (60% of world oil reserves and 45% of natural gas reserves) concentrated in the Arabian Gulf and Maghreb and serving as important growth engines for these countries. Eight MENA countries are members of the Organization of Petroleum Exporting Countries (OPEC), founded in 1960, while 10 Arab countries currently comprise the Organization of Arab Petroleum Exporting Countries (OAPEC), founded in 1968. All Arab MENA nations are members of the Arab League and the Greater Arab Free Trade Area (GAFTA).

In this report, MENA refers to the 16 Arab countries of Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates (UAE) and Yemen, plus West Bank and Gaza. Within this group are three geopolitical blocs: the Gulf Cooperation Council (GCC), comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE; the Maghreb, comprising Algeria, Libya, Morocco and Tunisia; and the Mashreq comprising Lebanon, Syria and the former members of the now-defunct Arab Cooperation Council (ACC) Egypt, Iraq, Jordan and Yemen.

The focus here will be on recent trends in investment and trade between the United States and the nine members of the AmCham MENA Regional Council — Algeria, Bahrain, Egypt, Jordan, Lebanon, Morocco, Tunisia, the UAE and West Bank and Gaza.

MENA at a Glance

1.1 The Economy

MENA covers an area of 9.6 million square km, or 6.5% of the world's landmass, which makes it the third largest after Russia and Canada. It is larger in area than China and the United States and more than twice the size of the European Union. The region's population comprises 4.3% of the total world population, equivalent to almost one quarter of the population of China and just larger than the population of the United States.

Despite some gradual improvements in MENA's economic performance in 2014, it still lags behind other regions in the world in many key economic indicators, including GDP per capita and employment. MENA's integration in the world market remains limited, although relative to GDP, the region has high levels of investment and trade.

MENA inter-regional trade is highly concentrated in a few key products: Exports are oil-dominated while imports remain heavily concentrated in manufactured capital and consumer goods. Trade is also concentrated among a small number of trading partners, with the European Union as the largest trading partner, followed by Japan, the United States, China and India.

Bilateral trade flows between the United States and MENA follow the usual pattern of exchanging U.S. manufactured products for crude oil from MENA. This leaves much room for deeper economic ties, however, U.S. businesses still face a number of tariff and non-tariff barriers that have to be overcome to encourage deeper trade relations.

> The region's young, educated population, strategic location and natural resources means it possesses huge potential for achieving prosperity."
> – World Bank and IMF annual meetings, October 2014

MENA accounts for 4.3% of world population, which contributes to 3.8% of world GDP and 5.9% of global trade.

MENA Demographics (2013)

	Total/ Average
Total Population (million)	314.18
Total Land Area (km^2)	9,583,083
Average Population Density (people/km^2)	233.44
Population Growth Rate	1.98%
Total Labor Force (million)	100.44
Top Three by Land Area (million km^2)	
Algeria	2.38
Saudi Arabia	2.15
Libya	1.76
Top Three by Population (million)	
Egypt	82.1
Algeria	38.3
Morocco	33.0
Top Three by Population Density (people/km^2)	
Bahrain	1,729.06
West Bank and Gaza	731.10
Lebanon	565.63
Top Three by Labor Force (million)	
Egypt	27.69
Morocco	11.73
Algeria	11.15

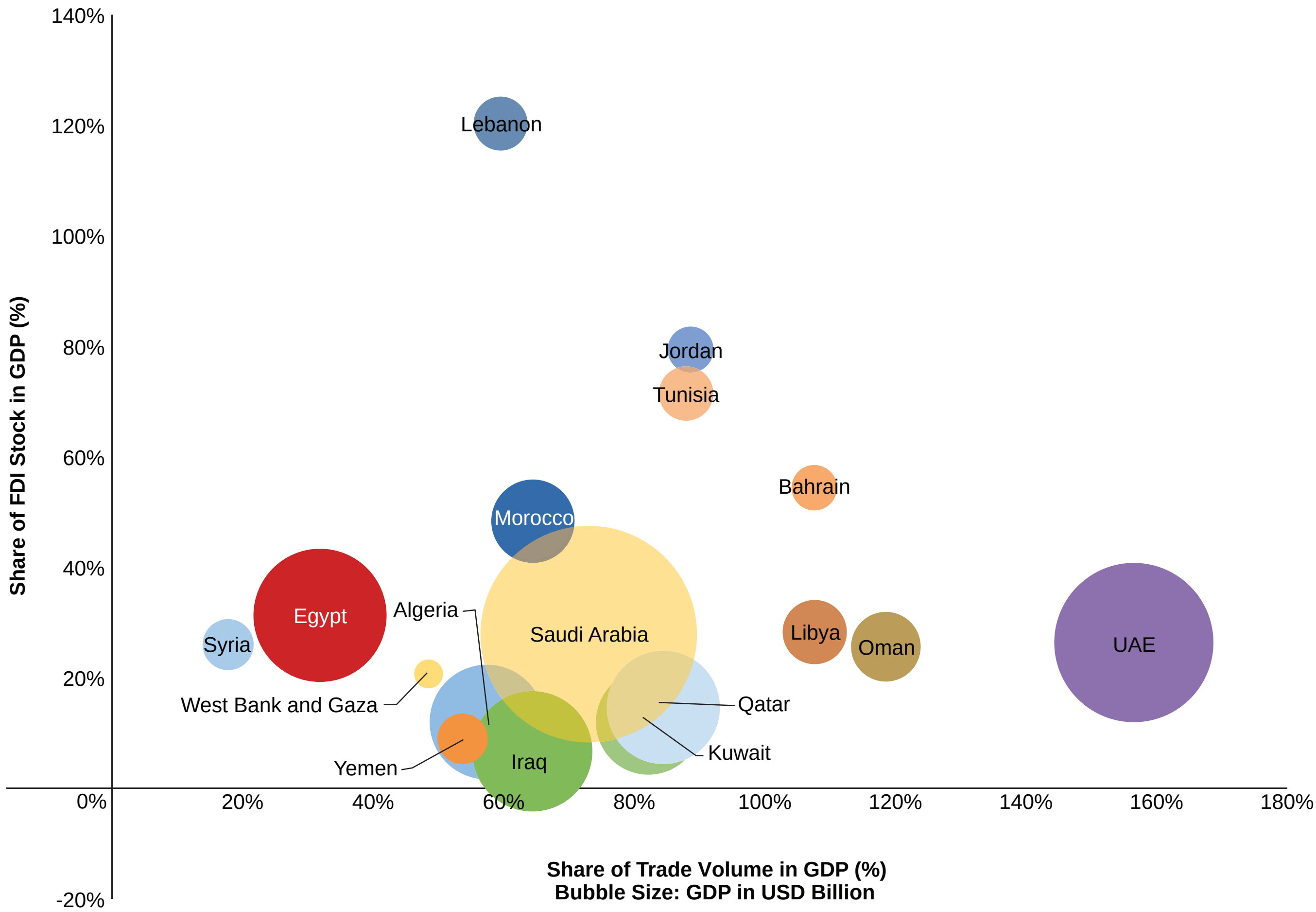
Source: Calculated from CIA and EIU

Trade and investment within MENA holds promising opportunities for growth and development. The U.S. is helping MENA in improving trade openness. In Jordan, for example, the U.S. is working with customs authorities to smooth and expedite the processing of goods at the borders. Similar projects in Egypt are underway to computerize transactions so that patterns can be evaluated and duties could be quickly collected. The World Bank's International Finance Corporation (IFC) MENA supports the region's private sector by helping create jobs and drive sustainable and inclusive growth through a combination of investments and advisory services.

1.2 The Economic Outlook

Growth forecasts for MENA for 2015 also vary between the oil exporters and oil importers, with an overall projected growth rate of 3.2% in 2015 compared to 2.6% in 2014 and 2.1% in 2013.

Share of Trade and FDI in GDP (2013)



Sources: Calculated from World Bank and UNCTAD data.

Average growth prospects for oil-exporting MENA countries have increased to 3.0% in 2015 up from an actual growth rate of 2.7% in 2014 and 1.9% in 2013. Growth rate expectations for the GCC oil exporters are higher than those of non-GCC exporters, with an average projected growth rate of 3.4% in 2015 for GCC oil exporters, versus only 2.4% for non-GCC oil-exporters for the same year. Increased oil production in the GCC economies, combined with increased government spending and booming non-oil sectors, has accelerated economic activity in the second half of 2013 and into 2014. Non-GCC economies, on the other hand, have experienced lower economic activity due to challenging security conditions and ongoing political instability in northern Iraq, Libya and Yemen.

Growth forecasts in MENA oil-importing countries reached 3.8% for 2015 compared to 2.5% in 2014 and 2.6% in 2013. Growth is expected to be driven by increasing demand for non-oil exports from Europe and the GCC countries in addition to gradual political transitions. However, projected growth remains modest due to inefficient economic structures, regional conflicts and sociopolitical tension. Structural reforms are therefore necessary to boost growth to the level required to tackle unemployment and socio-economic inequalities.

» The size of FDI in the MENA region understates both the region's economic potential and openness to trade.

MENA Investment and Trade Openness

COUNTRY	Index (out of 100)	Regional Rank
Lebanon	91.5	1
Jordan	66.9	2
Tunisia	63	3
Morocco	58.2	4
Bahrain	54.4	5
UAE	53	6
Libya	49.1	7
Oman	40.7	8
Qatar	35.7	9
Saudi Arabia	29.5	10
Yemen	25.8	11
Kuwait	25.6	12
Algeria	25.2	13
Iraq	22.1	14
Egypt	21.1	15
Syria	12.1	16

Source: BMI, Trade and Investment Index, February 2015

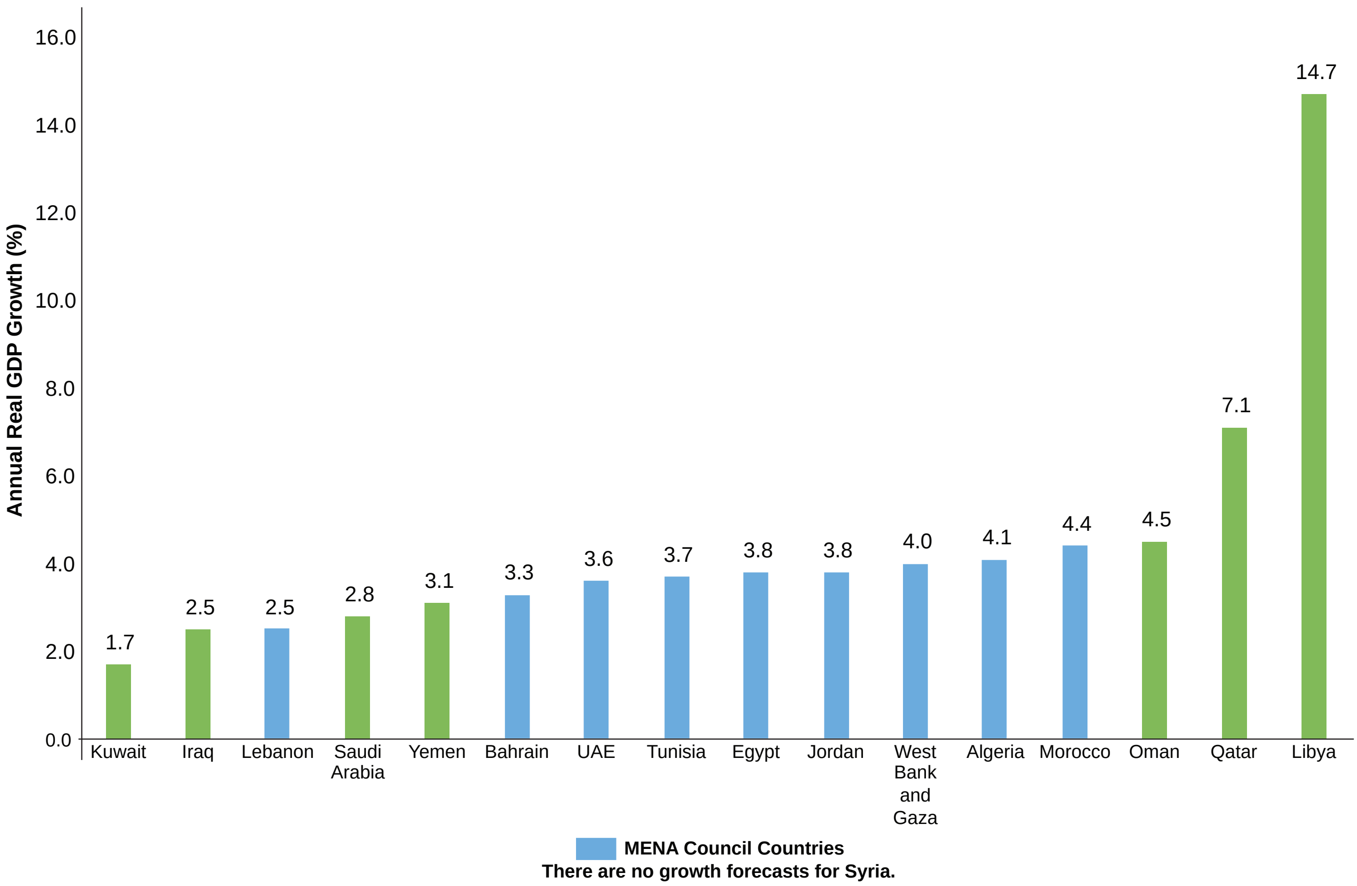
As it stands, intraregional trade among MENA countries accounted for just 10.1% of their total trade in 2013.

MENA Economic Outlook

Indicator	Sub-Region	2011	2012	2013	2014	2015	2016
GDP per Capita (USD at PPP)*	GCC	69,195	70,918	70,763	71,641	73,134	74,889
	Maghreb	10,413	13,750	13,206	12,481	13,495	14,816
	Mashreq and former ACC	10,949	11,380	11,608	11,689	12,002	12,577
	Arab MENA Average	**30,186**	**32,016**	**31,859**	**31,937**	**32,877**	**34,094**
Current GDP (billion USD at PPP)*	GCC	2,559	2,756	2,911	3,089	3,287	3,498
	Maghreb	873	989	1,011	1,034	1,109	1,195
	Mashreq and former ACC	1,499	1,595	1,665	1,706	1,789	1,914
	Arab MENA Total	**4,930**	**5,339**	**5,587**	**5,830**	**6,184**	**6,607**
Real GDP Growth (%)	GCC	7.1	5.3	4.3	3.8	3.8	3.5
	Maghreb	-14.0	28.6	-1.0	-3.2	6.7	7.9
	Mashreq and former ACC	0.8	4.0	3.1	1.4	3.1	5.0
	Arab MENA Average	**-2.0**	**12.6**	**2.1**	**0.7**	**4.6**	**5.5**
Current Account Balance (% of GDP)	GCC	23.3	23.1	19.7	15.7	0.4	3.1
	Maghreb	0.9	4.3	-0.5	-10.8	-11.3	-6.9
	Mashreq and former ACC	-3.7	-6.4	-6.9	-6.5	-6.5	-5.4
	Arab MENA Average	**6.8**	**7.0**	**4.1**	**-0.5**	**-5.8**	**-3.1**
Average Consumer Price Inflation (%)	GCC	2.5	2.4	2.5	2.4	2.3	2.8
	Maghreb	6.2	5.5	3.5	2.9	3.2	3.6
	Mashreq and former ACC	9.6	6.9	6.6	5.2	5.2	5.2
	Arab MENA Average	**6.1**	**4.9**	**4.2**	**3.5**	**3.6**	**3.9**

PPP: Purchasing Power Parity
*Source: IMF, January 2015, *Data from IMF, October 2014*

2015 Growth Forecast in MENA Countries



Source: IMF, January 2015

Oil export revenue losses for 2015 are expected to reach USD 300 billion for GCC countries and USD 90 billion for non GCC oil- exporters.

1.3 The Business Environment

Although some countries in the region have undertaken efforts to improve their regulatory and business environments, international firms still face high levels of bureaucracy and corruption, a lack of transparency, weak rule of law, and differences in business cultures.

The average regional ranking for MENA has deteriorated to 103 out of 189 countries ranked in the **World Bank's Doing Business Report** of 2015, from a higher rank of 96 in 2013. This rank places the region below OECD countries, Europe and Central Asia, East Asia and Pacific, and Latin America; and above South Asia and Sub-Saharan Africa.

Within MENA, Morocco showed the greatest improvement in 2015, moving 26 places up from its 2013 rank of 97, followed by Lebanon, which leaped 11 places from 115, and Iraq, moving up nine places from 165. Syria had the largest drop, moving 31 places down from its 2013 rank of 144. The best countries in the region for doing business according to the World Bank's 2015 report are the UAE and Saudi Arabia.

» Growth forecasts for the MENA have been revised downwards due to the rapid fall of oil prices, as crude oil prices declined by over 59% from $115 a barrel in mid-July 2014 to less than $47 in mid-January 2015.

» "The more freely that prospective businesses can establish, grow and partner with other businesses, the faster they will drive prosperity." – Anne Patterson, U.S. Department of State, February 2014.

Ease of Doing Business in MENA Council Countries

	Regional Rank 2015	Global Rank 2015	Global Rank 2014	Global Rank 2013	Number of Reforms (2015)
UAE	1	22	25	26	3
Bahrain	4	53	53	42	2
Tunisia	5	60	56	50	2
Morocco	7	71	68	97	1
Lebanon	10	104	102	115	0
Egypt	11	112	113	109	1
Jordan	12	117	116	106	1
West Bank and Gaza	14	143	139	135	1
Algeria	16	154	147	152	1
MENA	-	103	99	96	12

Source: World Bank, 2015

Overall, MENA had the smallest share (40%) of economies implementing regulatory reforms in at least one area, according to the World Bank's 2014 report. This can be linked to the ongoing political and socioeconomic instability in the region. Trading across borders is one of the reform areas with much room for improvement in several MENA countries, where there is a lack of appropriate port infrastructure, inefficient port operations or a large number of required documents.

The UAE had the most reforms among MENA countries in 2015, improving its rankings to become fourth worldwide in dealing with construction permits, getting electricity and property registration.

▸▸ According to the World Bank, in 2015 UAE ranked first worldwide in tax collection, followed by Qatar and Saudi Arabia.

The **Index of Economic Freedom** by the Heritage Foundation measures the economic freedom in 186 countries based on 10 qualitative and quantitative factors (freedoms), grouped into four broad categories: Rule of Law, which includes property rights and freedom from corruption; Limited Government, which refers to fiscal freedom and government spending; Regulatory Efficiency, measured through business freedom, labor freedom and monetary freedom; and Open Markets, which includes trade freedom, investment freedom and financial freedom. Each of the 10 economic freedoms is graded on a scale of 0 to 100 and according to the average grade, each country is given its Economic Freedom Rank.

MENA's Index of Economic Freedom Rankings (2015)

Country Name	Global	Regional Rank	2015 Average Score (0-100)	Classification
Bahrain	18	1	73.4	Mostly Free
UAE	25	2	72.4	Mostly Free
Qatar	32	3	70.8	Mostly Free
Jordan	38	5	69.3	Moderately Free
Oman	56	6	66.7	Moderately Free
Kuwait	74	7	62.5	Moderately Free
Saudi Arabia	77	8	62.1	Moderately Free
Morocco	89	9	60.1	Moderately Free
Lebanon	94	10	59.3	Mostly Unfree
Tunisia	107	11	57.7	Mostly Unfree
Egypt	124	12	55.2	Mostly Unfree
Yemen	133	13	53.7	Mostly Unfree
Algeria	157	14	48.9	Mostly Unfree
MENA Average	**79**	**--**	**62.5**	**--**

Data for Iraq, Libya, Syria and the West Bank and Gaza are not available. Israel ranked number 4 in the region. MENA Average includes only countries with available data.
Source: Heritage Foundation, 2015

MENA's average score on the Economic Freedom Index remained steady at 62.5 in 2015 and 2014, after dropping slightly from 62.6 in 2013 and 63.2 in 2012, due to continuing political turmoil. Most MENA economies remain only "moderately free" or "mostly unfree" and none of them is classified as "free," as the region continues to suffer from structural and institutional problems.

The Global Competitiveness Report prepared by the World Economic Forum (WEF) provides an overview of the competitiveness performance of 144 economies. The report defines competitiveness as "the set of institutions, policies and factors that determine the level of productivity of a country."

Competitiveness is calculated using a weighted average of various components, each measuring a certain aspect of competitiveness. These components are grouped under 12 pillars: Institutions, Infrastructure, Macroeconomic Environment, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Development, Technological Readiness, Market Size, Business Sophistication, and Innovation.

The competitiveness rankings vary greatly among MENA economies. Some North African economies, such as Egypt and Tunisia, are slowly stabilizing to focus on economic reforms to improve the business environment, while other economies such as Libya and Lebanon remain affected by conflict and unrest in the region. Meanwhile, some of the oil exporters, such as the UAE and Qatar have been performing well and investing in their competitiveness-enhancing policies and measures.

The Global Innovation Index (GII) 2014 uses 81 indicators across seven pillars to measure the average innovation score in 143 economies around the world. The indicators are grouped under: Institutions, Human Capital and Research, Infrastructure, Market Sophistication, Business Sophistication, Knowledge and Technology Outputs, and Creative Outputs. The theme for 2014 GII report is the 'Human Factor in Innovation,' which emphasizes the significance of both individual and collective efforts of creators and scientists in the innovation process.

▸▸ Bahrain is the region's top performer and the only MENA country in the top 20 on the Index of Economic Freedom in 2015.

▸▸ The UAE and Qatar are among the top 20 in the Global Competitiveness Ranking.

MENA's Global Competitiveness Rankings (2014/15)

	Global Rank	Regional Rank	Overall Score (1-7)
United Arab Emirates	12	1	5.33
Qatar	16	2	5.24
Saudi Arabia	24	3	5.06
Kuwait	40	4	4.51
Bahrain	44	5	4.48
Oman	46	6	4.46
Jordan	64	7	4.25
Morocco	72	8	4.21
Algeria	79	9	4.08
Tunisia	87	10	3.96
Lebanon	113	11	3.68
Egypt	119	12	3.6
Libya	126	13	3.48
Yemen	142	14	2.96
MENA Average	**70**	**na**	**4.24**

Data for Iraq, Syria, West Bank and Gaza are not available.
Source: World Economic Forum – The Global Competitiveness Report, 2014/2015

"It is without a doubt that this year's theme, the 'Human Factor in Innovation', is at the center of the UAE government's Vision 2021" – The GII Report 2014

MENA's Global Innovation Index Rankings (2014)

	Global Rank	Score (0-100)
United Arab Emirates	36	43.2
Saudi Arabia	38	41.6
Qatar	47	40.3
Bahrain	62	36.3
Jordan	64	36.2
Kuwait	69	35.2
Oman	75	33.9
Lebanon	77	33.6
Tunisia	78	32.9
Morocco	84	32.2
Egypt	99	30
Algeria	133	24.2
Yemen	141	19.5
MENA Average	**77**	**33.8**

Data for Iraq, Syria, West Bank and Gaza are not available.
Source: The Global Innovation Index, 2014

Among MENA countries, the UAE is the best performer, having taken major steps to diversify its economy. The UAE's Vision of 2021 calls for the country to transform its economy into one where knowledge and innovation are the main drivers of growth.

2. MENA-U.S. Trade Trends

Given the recent developments in many of the MENA countries, enhanced trade and investment ties with the U.S. can serve as an engine of growth and development in the region.

The U.S. has been intensifying its trade and investment relations with MENA in recent years with the main aim of achieving economic development, peace and stability. U.S. exports to MENA represented 4.4% of total U.S. exports, whereas 3.7% of total U.S. imports were from MENA in 2014.

Saudi Arabia was the eighth largest exporter to the U.S. worldwide, while the UAE was the 17th largest importer from the U.S. in 2014.

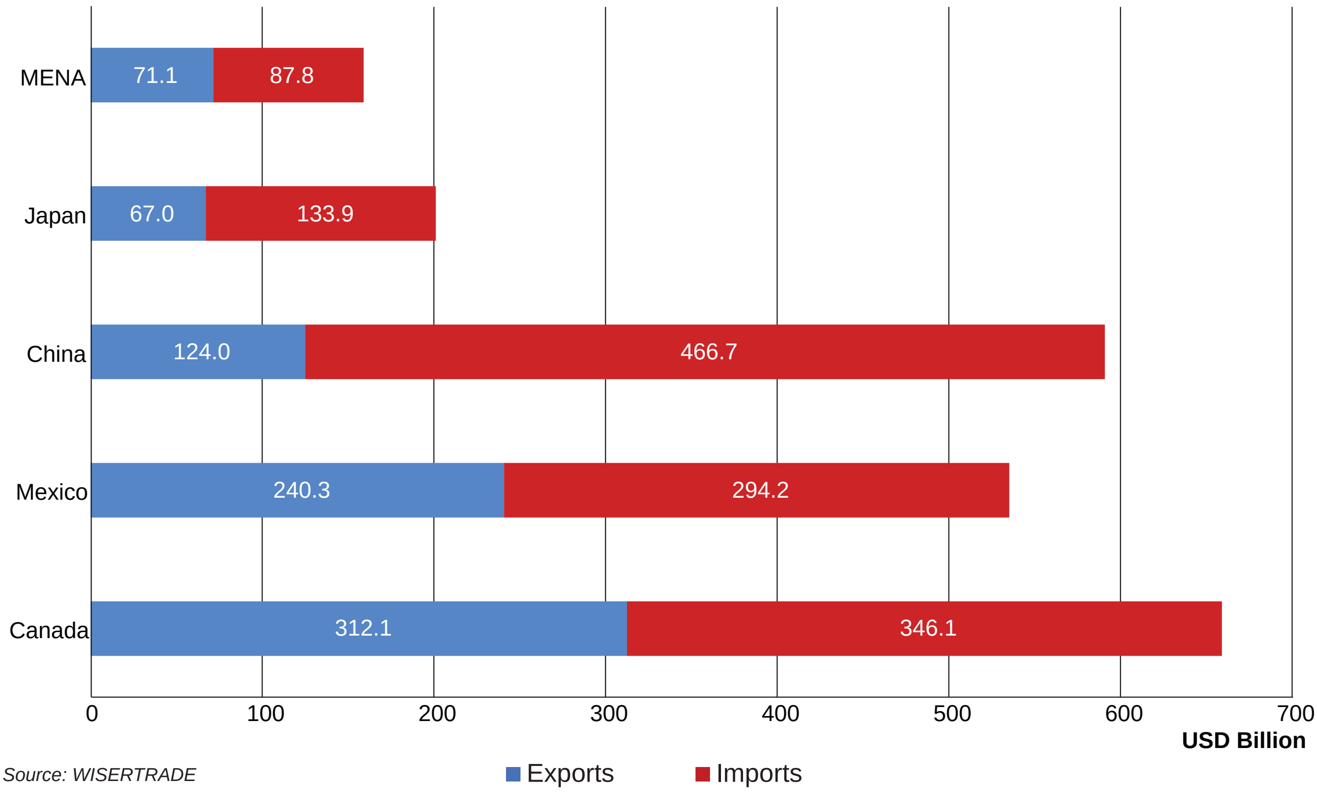
MENA is the sixth largest trading partner of the U.S., making up 4.0% (equivalent to USD 158.9 billion) of a total U.S. trading volume of USD 4.0 trillion in 2014.

Although trade has been generally increasing between MENA and the U.S. since 2000 until 2012, recent developments have shown a decrease in the growth rate of total trade. MENA exports to the U.S. grew by a compound annual growth rate (CAGR) of only 8.0% since 2000 to reach USD 87.8 billion in 2014 (compared to a CAGR of 11.5% from 2000 to 2011). A closer look at the recent developments shows a negative CAGR of -11.35% of MENA exports to the U.S. between 2012 and 2014.

MENA imports from the U.S. grew by a CAGR of 11.1 % since 2000 to reach USD 71.1 billion in 2014. MENA imports grew by a CAGR of 1.03% between 2009 and 2014, compared to a CAGR of 17.9% between 2004 and 2009.

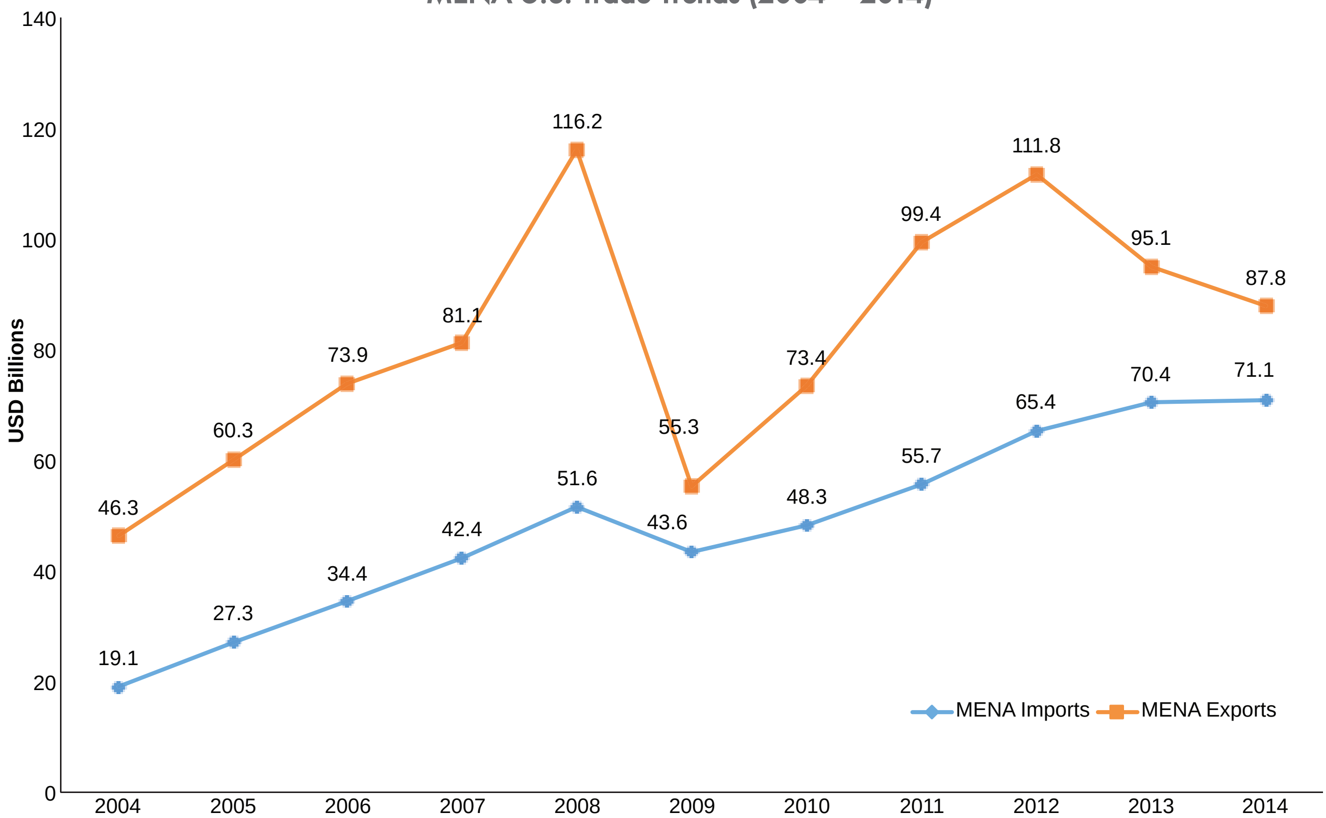
The largest regional exporter to the U.S. is Saudi Arabia with a share of 53.5% of total MENA exports to the U.S., while the largest importer is the UAE, accounting for 34.7% of total MENA imports from the U.S.

U.S. Trade Volume (2014)

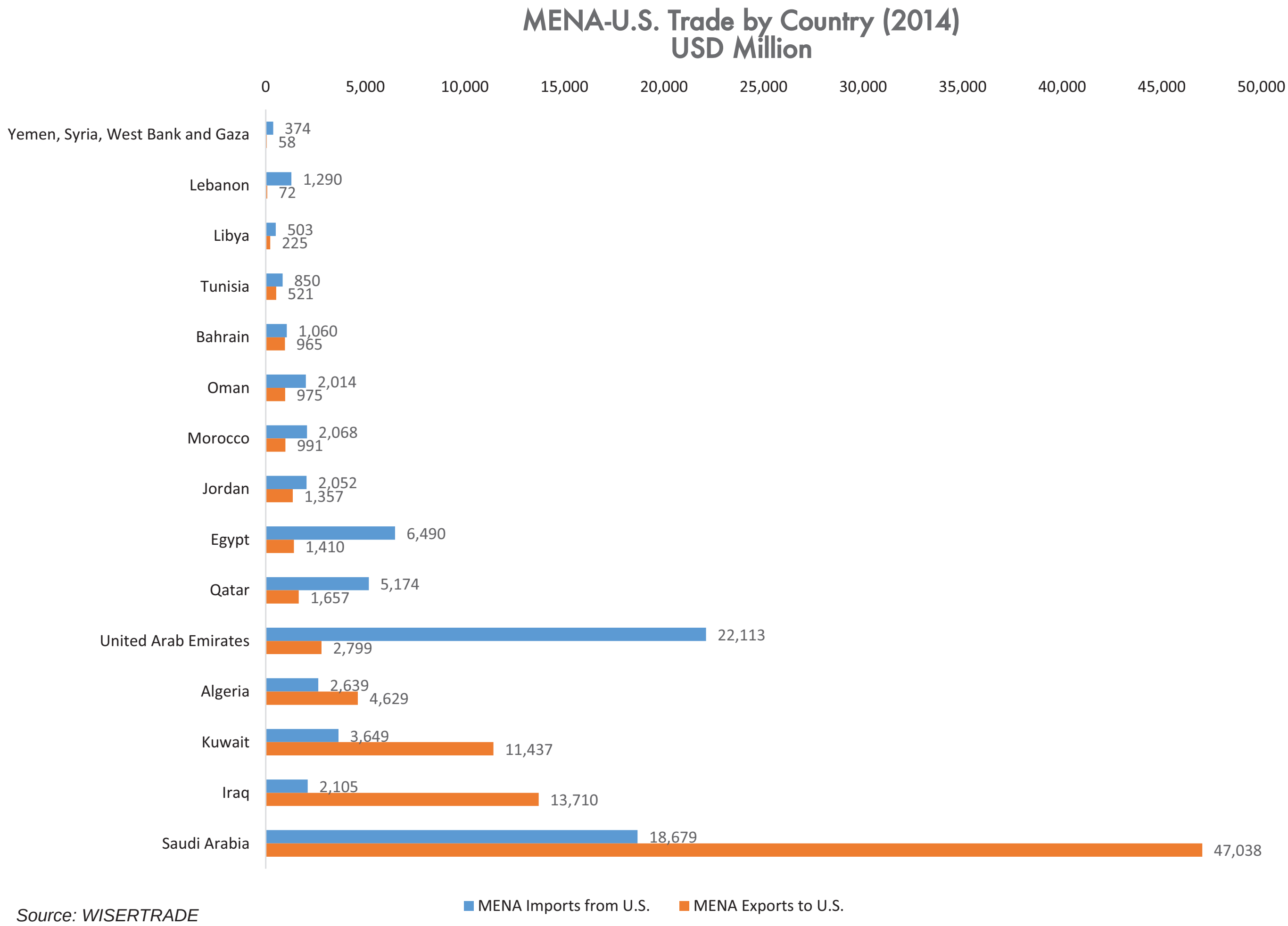


Source: WISERTRADE

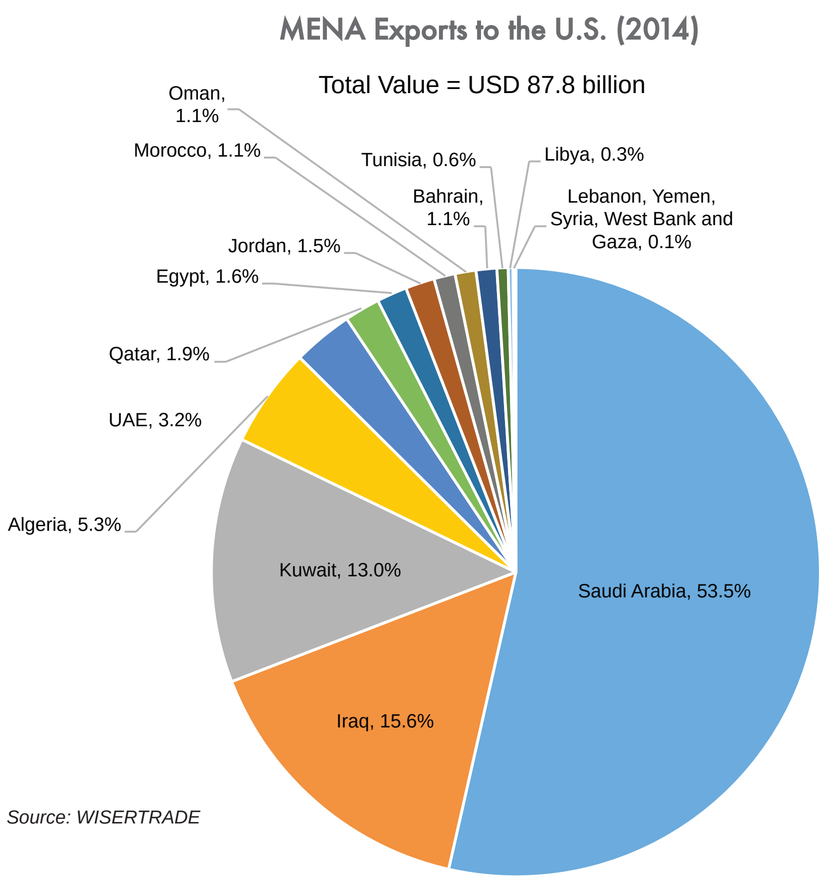
MENA-U.S. Trade Trends (2004 – 2014)



Source: WISERTRADE



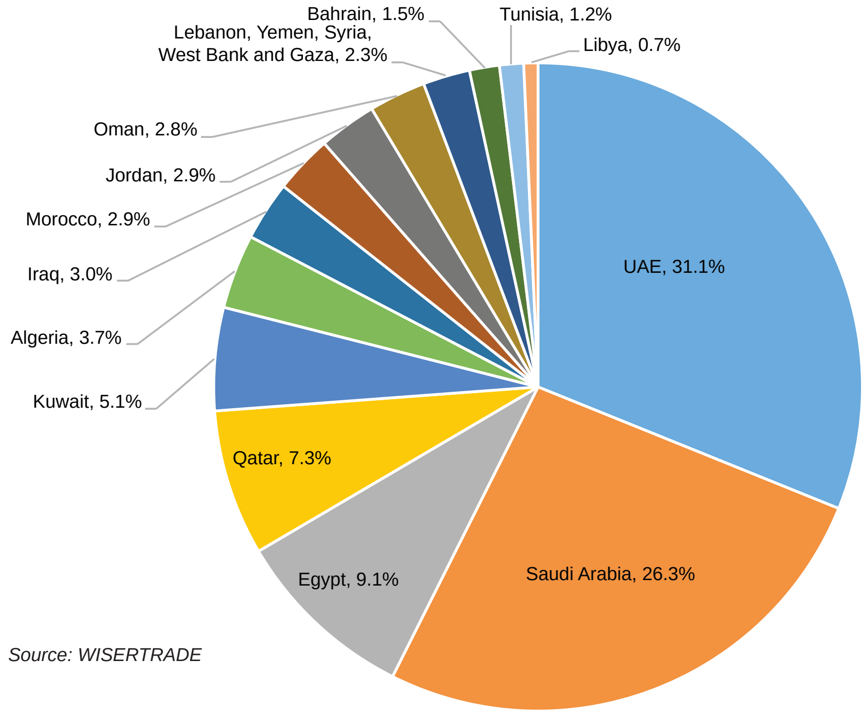
Source: WISERTRADE



Source: WISERTRADE

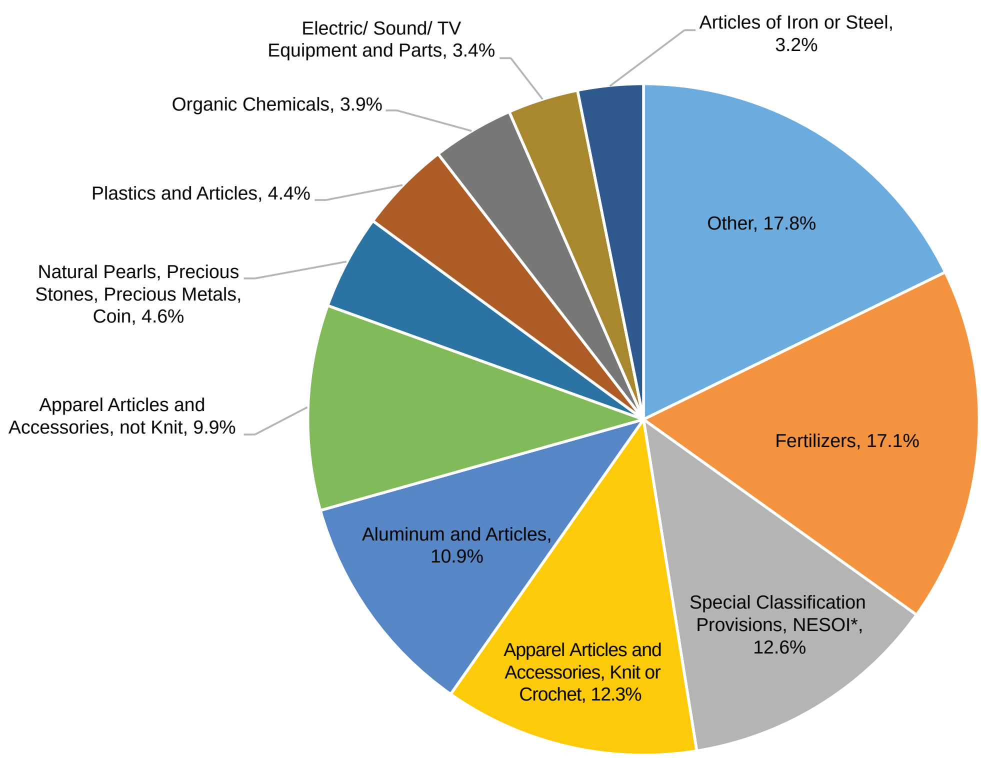
MENA Imports from the U.S. (2014)

Total Value = USD 71.8 billion



MENA Non-Oil Exports to the U.S. by Commodity (2014)

Total Value = USD 10.52 billion

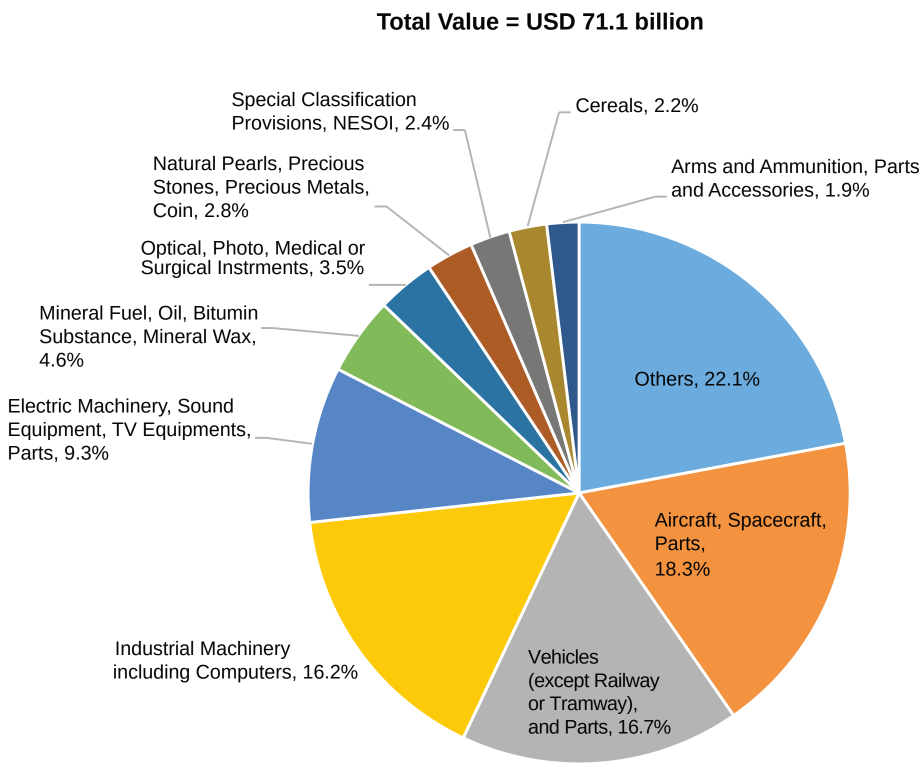


*NESOI: Not Otherwise Specified or Indicated
Source: WISERTRADE

Although the total value of MENA exports to the U.S. (USD 87.8 billion) exceeded the total value of imports (USD 71.1 billion) in 2014, the non-oil MENA trade balance is in favor of the U.S. Excluding oil and gas, MENA imports from the U.S. are 6.4 times the value of exports.

Top MENA imports from the U.S. are aircraft and spacecraft, vehicles, and industrial machinery and computers. Top non-oil MENA exports to the U.S. are fertilizers, special classification provisions, and apparel articles and accessories.

MENA Imports from the U.S. by Commodity (2014)



Source: WISERTRADE

2.1 U.S. Trade with MENA Council Countries

The UAE was the largest MENA Council importer from the U.S. in 2014 with a share of 57.3% of total MENA Council imports from the U.S., while the largest exporter for the same period was Algeria with a share of 36.3% of total MENA Council exports to the U.S.

In 2014, AmCham MENA Council imports from the U.S. made up 54.2% of total MENA imports, while its exports comprised only 14.5% of total MENA exports to the U.S.

2.2 U.S.-MENA Bilateral Free Trade Agreements

The U.S. signed four Free Trade Agreements (FTAs) with Arab MENA countries, three of which are part of the MENA Council: Jordan in 2001, Morocco and Bahrain in 2006 and Oman in 2008. Further FTA discussions, including those with Egypt and the UAE were put on hold in 2005 and 2007, respectively. FTAs have formed the framework for trade policy dialogues with the region with the greater aim of assisting MENA's integration in the world market and fostering its democratic transitions and economic development.

MENA Council Merchandise Trade Flows (2013)

	MENA Exports			MENA Imports		
	Total Country Exports to the World	Total Country Exports to the U.S.	Share of U.S. in Country Exports	Total Country Imports from the World	Total Country Imports from the U.S.	Share of U.S. in Country Imports
Algeria	65.0	4.8	7.39%	55.0	1.8	3.27%
Bahrain	20.9	0.6	2.87%	14.4	1	6.96%
Egypt	28.5	1.6	5.62%	58.3	5.2	8.92%
Jordan	7.9	1.2	15.17%	21.9	2.1	9.60%
Lebanon	4.5	0.1	2.04%	19.7	1.0	5.23%
Morocco	21.8	1	4.58%	45.1	2.5	5.54%
Tunisia	17.1	0.7	4.10%	24.3	0.9	3.71%
UAE	379.0	2.3	0.61%	251.0	24.4	9.72%
West Bank and Gaza*	1.2	0	0.00%	5.2	0.0	0.00%
Total MENA Council	**547.0**	**12.4**	**2.27%**	**497.0**	**39**	**7.85%**
Total MENA	**1372.5**	**95.1**	**6.93%**	**870.4**	**70.4**	**8.09%**

Source: WISERTRADE (based on country reports) and World Bank *(Value in USD billion)*
**Source: ITC*

However, U.S. trade with MENA countries accounted for a small share of total U.S. trade: 4.0% of a total U.S. trading volume of USD 4.0 trillion during 2014, leaving much room for deepening the trade relations. In May 2011, U.S. President Barack Obama announced the MENA Trade and Investment Partnership Initiative (MENA-TIP), with a primary focus on Egypt, Jordan, Morocco and Tunisia. This initiative aims at increasing U.S.-MENA trade and investment by focusing on cooperation on investment, trade facilitation, support for small and medium enterprises (SMEs), and regulatory practices and transparency.

2.3 Preferential Trade Agreements between MENA and the U.S.

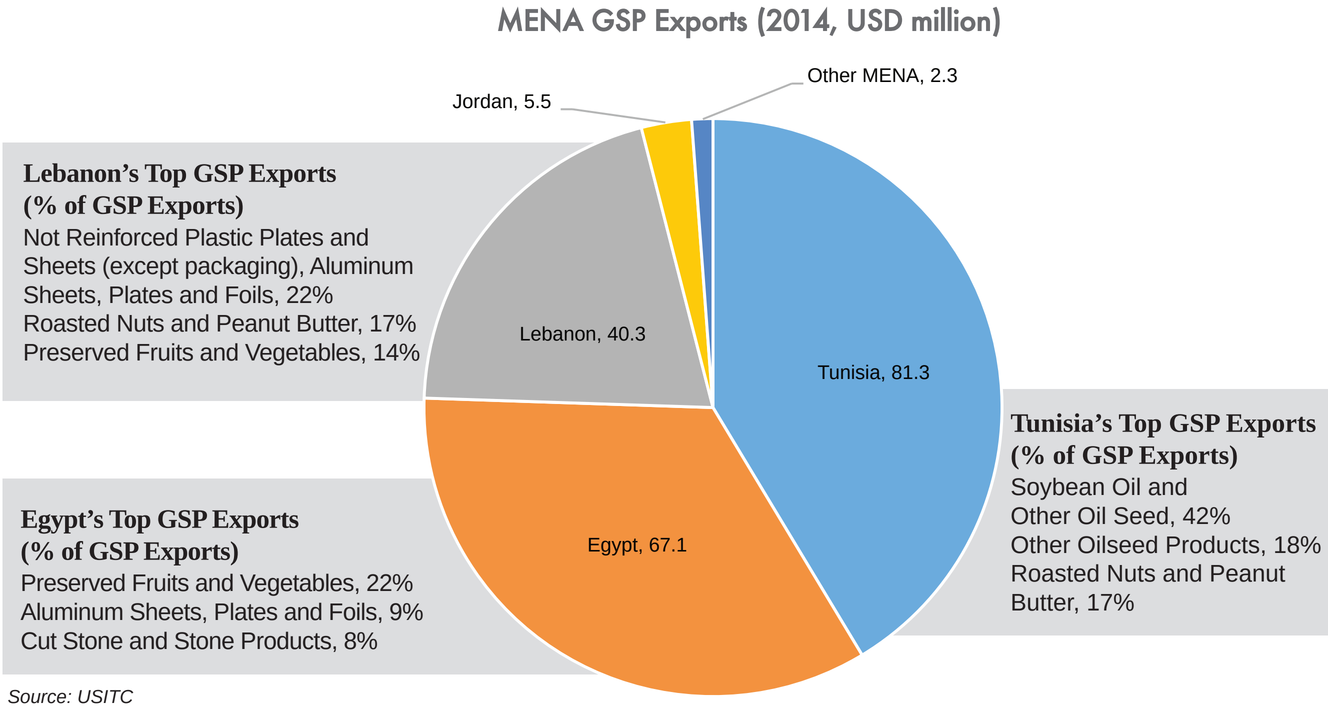
In addition to formal agreements to liberalize trade and investment, the U.S. relies on federal programs to encourage international trade and investment. For MENA, the most important programs include the Generalized System of Preferences (GSP) and the Qualifying Industrial Zones (QIZ) protocol.

The U.S. GSP was established by the Trade Act of 1974 and provides preferential duty-free entry for products from 122 beneficiary countries and territories. The total value of GSP-eligible goods imported by the U.S. in 2014 was USD 17.8 billion, of which USD 196.5 million (1.1%) were from the MENA countries. Legal authorization of the GSP program expired on July 31, 2013, and the U.S. Congress is considering legislation to renew the authorization of GSP, a move supported by the Obama Administration. The GSP statute automatically expired for all beneficiary developing countries (except for AGOA-eligible countries) on July 31, 2013. If Congress desired to permanently suspend GSP due to the cost of the program or to possible negative impact on U.S. companies, no legislative action would be required.

Qualifying Industrial Zones (QIZs) were established by the U.S. Congress in 1996 with the main purpose of supporting the Middle East peace process.

This program allows certain exports from the West Bank and Gaza Strip along with qualifying zones in Egypt and Jordan duty-free entrance in the U.S. Products eligible under this program must be manufactured in the West Bank and Gaza Strip, or specified zones within Egypt and Jordan and must contain a certain percentage of Israeli content. The protocol was signed by Jordan in 1998 and by

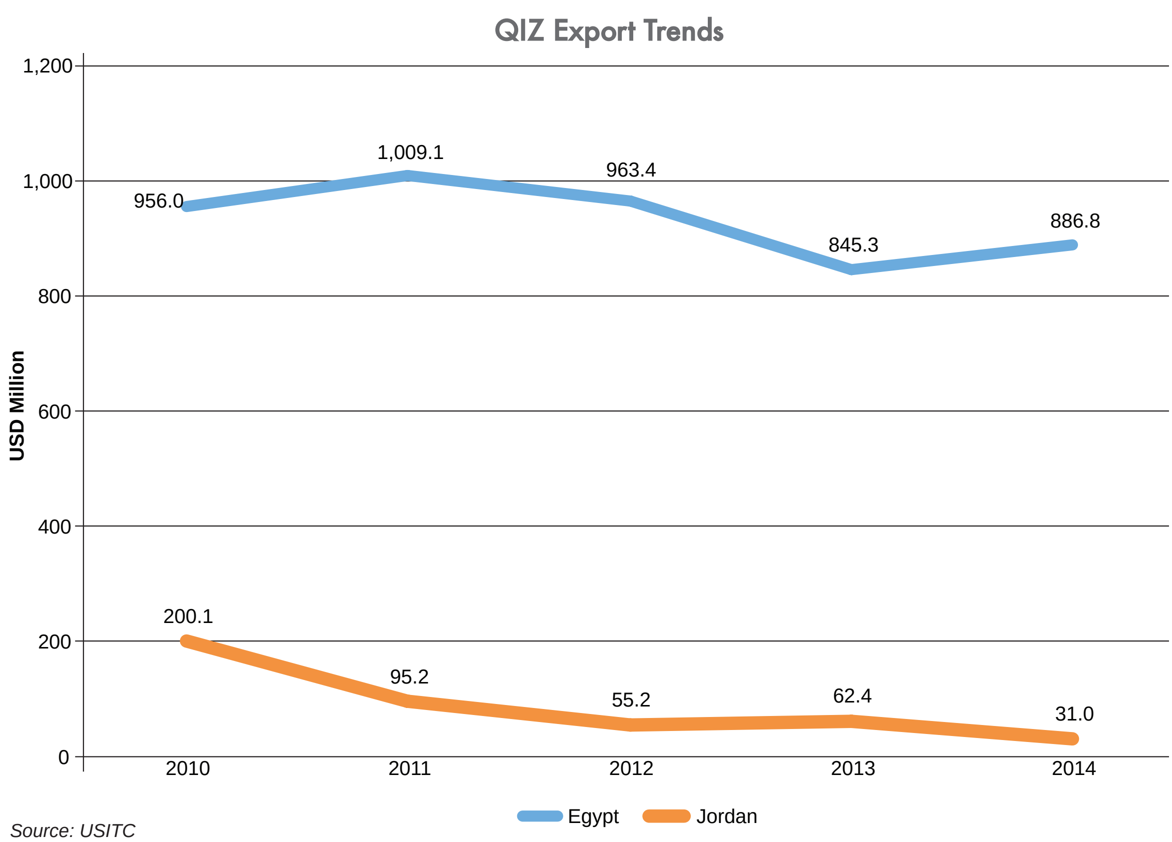
▸▸ QIZs are considered to be the most advantageous preference program offered by the U.S. and offering much-needed job opportunities in labor-intensive industries.



Source: USITC

Egypt in 2004.

In order for products to be eligible for duty-free entry into the United States, QIZ factories must add at least 35% to the value of the article. In Jordan, the 35% content must be divided into 11.7% from a Jordan QIZ, 8% from Israel (7% for high-tech goods) and the remainder may be fulfilled by content from a Jordan

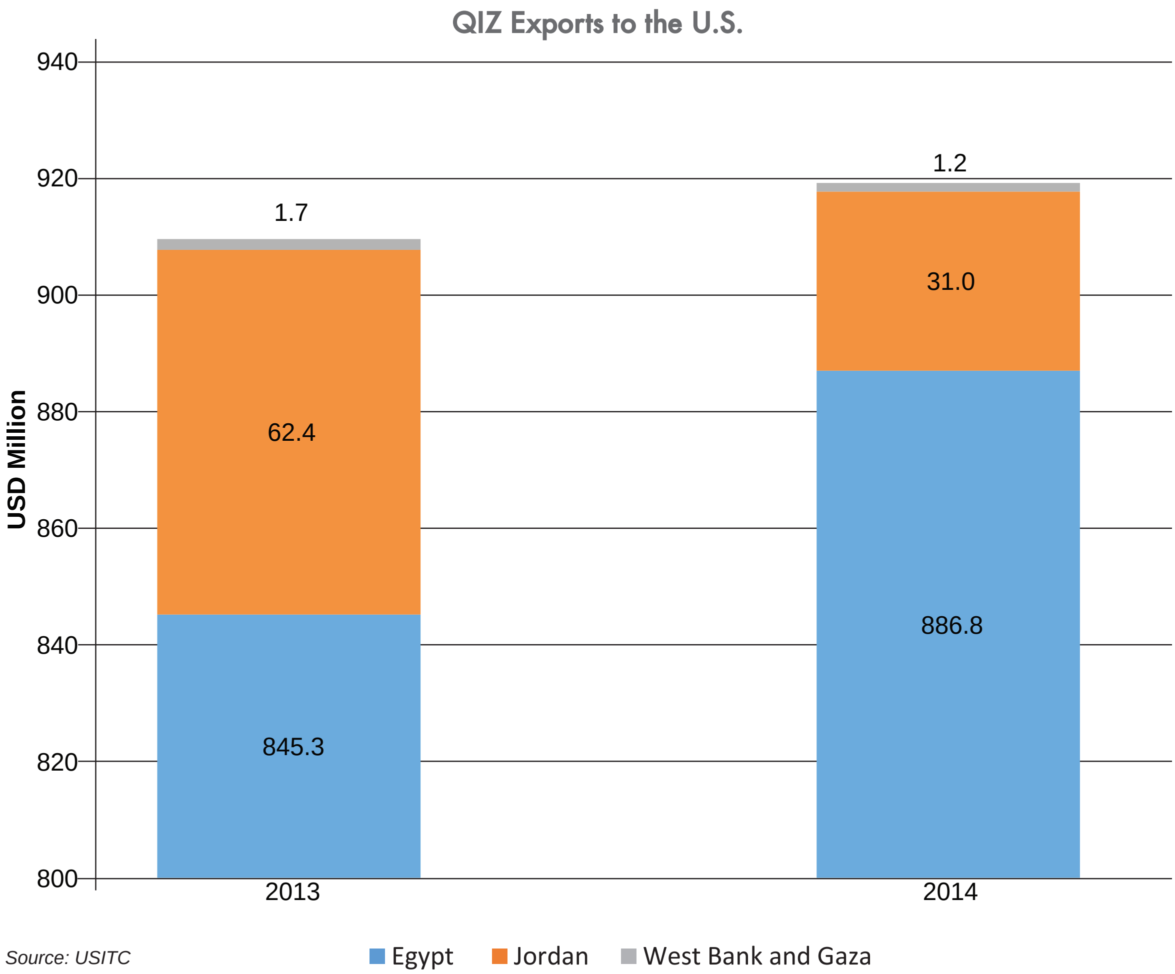


Source: USITC

QIZ, Israel, the U.S. or West Bank and Gaza.

For Egypt, the 35% minimum content can include costs incurred in Israel, Egypt or the U.S. Egypt and Israel have agreed that each must contribute at least one-third (11.7%) of the 35% minimum content requirement. However, the Israeli content requirement was lowered to 10.5% in October 2007.

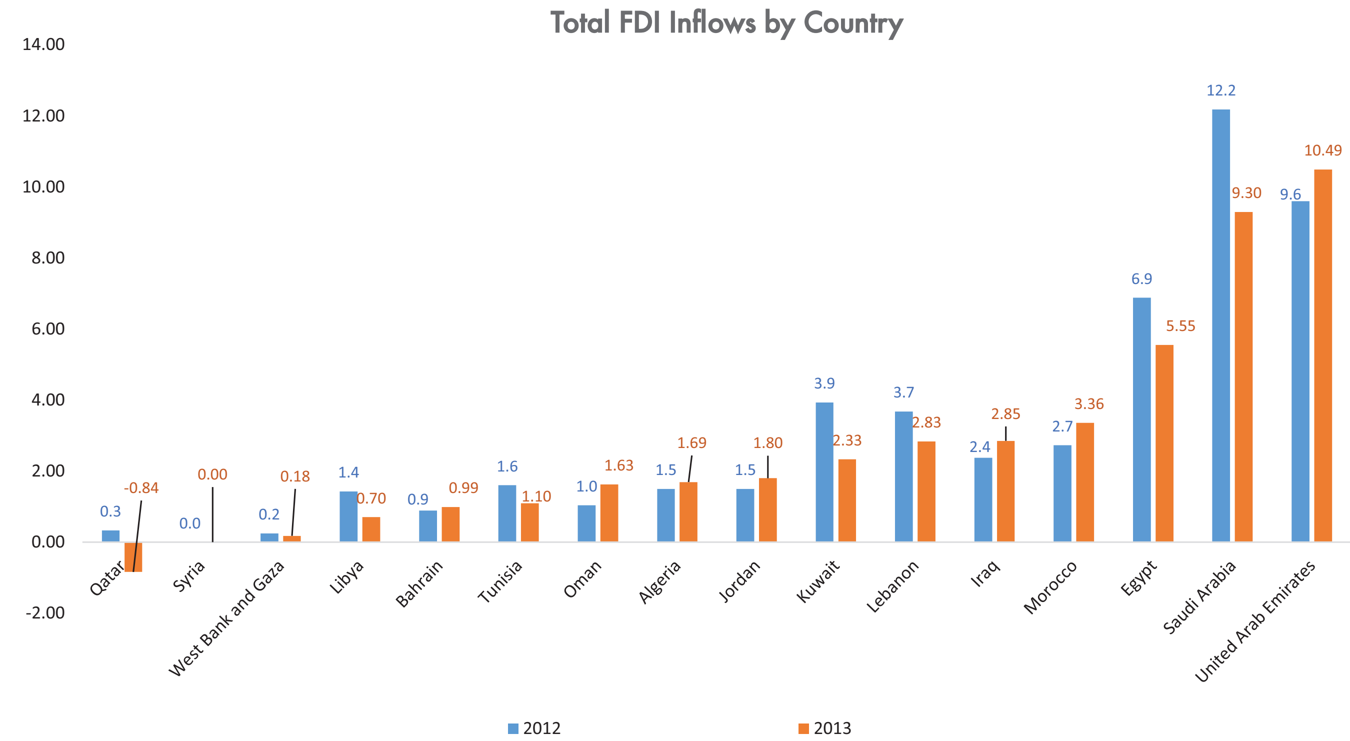
Recent developments in the QIZ export values between beneficiary countries and the U.S. show a 4.9% increase of Egyptian exports in 2014 compared to the previous year and a decrease of exports from Jordan and West Bank and Gaza by 50.4 % and 31.3%, respectively.



Source: USITC

3. MENA-U.S. Investment Trends

After experiencing a steep drop in FDI inflows in 2011 due to political turmoil, the MENA Council countries started to slowly attract more FDI inflows in 2012 to reach USD 28.6 billion (2.12% of total world FDI outflows). This was caused by an improved investment climate in some countries that have undertaken structural reforms. One example is Morocco's diversification efforts, which have helped increase FDI in high-value-added industries in the country. The increase in FDI inflows in MENA Council countries was also a result of the recovery of global economic activity, especially in the EU.



Source: UNCTAD

The 2012 FDI inflows in the MENA Council countries remained well below the level of inflows prior to 2011, and in 2013, FDI outflows fell further to USD 27.9 billion (only 1.98% of the world's FDI outflows). This was a result of a sluggish economic recovery in MENA, weak private investment and continuing political transitions and conflict, especially in the oil-importing countries. The resulting weak confidence among investors continued to put downward pressure on the region's economic prospects.

▸▸ FDI inflows to the MENA region, estimated at 2.1% of the world total, understate the region's economic potential and its demographic weight (accounting for 3.8% of global GDP and 4.3% of world population).

To ease access to capital in MENA Council countries, the U.S. has provided sovereign loan guarantees to Egypt, Tunisia and Jordan, among others. The U.S. has also established a number of one-stop shops for business services across Egypt and Jordan to streamline the procedures for launching new businesses and licensing. Initiatives have been launched to help expand and grow SMEs and spur job creation. Through the Overseas Private Investment Corporation (OPIC), the U.S. is providing over USD 400 million in financing and insurance in Egypt, over USD 700 million in Jordan and over USD 300 million in the West Bank and Gaza to provide support in sectors that include transportation, finance, high-tech, energy, construction and franchising.

In 2014, the IFC committed USD 2.2 billion in MENA, including USD 509 million mobilized from other investors and an advisory program worth a total of USD 105 million spread over 96 projects. The projects focused on improving and expanding access to credit in the private sector, reducing bureaucracy, supporting fragile and conflict-affected states, combating climate change, improving infrastructure and encouraging intra-regional South-South investment.

The U.S. FDI in MENA Council countries remained negligible in 2013, representing only 0.001% of a total U.S. FDI outflow of USD 328.3 billion. The largest FDI attractor among MENA Council countries in 2013 was the UAE with USD 2.39 billion, followed by Egypt and Tunisia.

FDI in MENA Council Countries (2013)

	U.S. Investment Stock	U.S. Investment Inflows	Share of the U.S. Stock	Share of the U.S. Inflows
Algeria	5.04	-0.44	19.90%	--
Bahrain	0.64	-0.07	3.60%	--
Egypt	19.32	2.26	22.70%	40.80%
Jordan	0.22	0.02	0.80%	1.20%
Lebanon	0.19	0.03	0.30%	0.90%
Morocco	0.6	0.05	1.20%	1.30%
Tunisia	0.37	0.12	1.10%	11.20%
United Arab Emirates	10.77	2.39	10.20%	22.80%
Total MENA Council	37.14	4.36	9.20%	15.60%

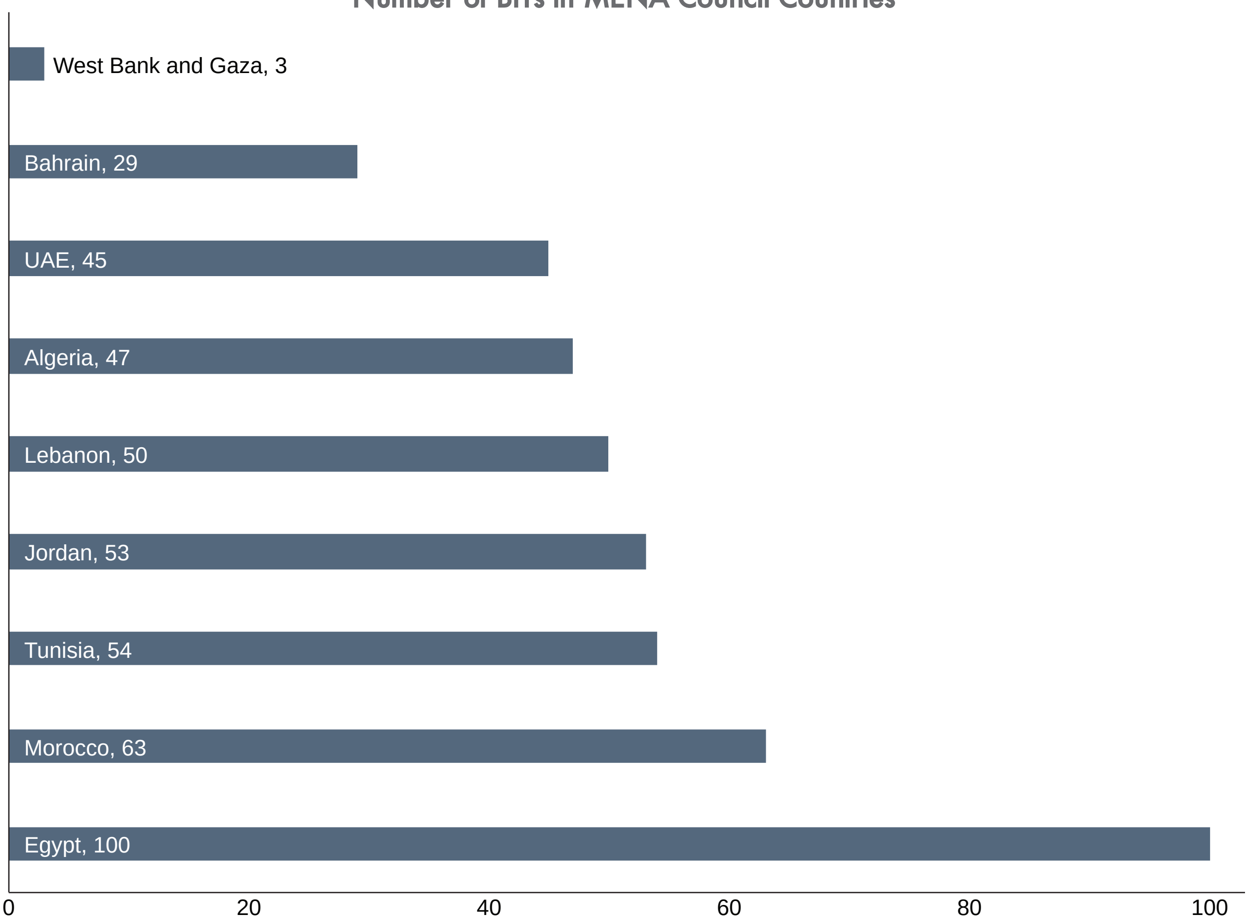
Source: UNCTAD and U.S. BEA *(Value in USD billion)*

Amid favorable business sentiment and relative isolation from the regional political turbulence, the UAE was the largest host for total and U.S. direct investment in MENA in 2013.

3.1 U.S.-MENA Bilateral Investment Treaties

Bilateral Investment Treaties (BITs) establish rules for the mutual protection of investment in U.S. and partner country territories. They ensure the right to non-discriminatory treatment of investments by the host country, place limits on expropriation of investments and provide a framework to settle investment-related disputes with host governments.

Number of BITs in MENA Council Countries



Source: UNCTAD

U.S. Preferential Trade and Investment Agreements with MENA: 4 FTAs, 5 BITs and 13 TIFAs.

The U.S. has 41 BITs in force, five of which are with MENA countries: The BIT with Morocco entered into force in 1991, followed by Egypt and Tunisia, which entered into force in 1992 and 1993 respectively. The U.S.-Bahrain BIT entered into force in 2001 and the most recent BIT within MENA was with Jordan in 2003.

In addition to these, the U.S. has signed Trade and Investment Framework Agreements (TIFAs) with Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Tunisia, UAE and Yemen.

3.2 Leading Sectors for U.S. Business in MENA Council Countries

Economic activity in MENA varies among its countries with a broad range of sectors attracting FDI. Leading sectors for U.S. FDI in MENA range from agricultural and manufacturing to energy and power, information and communication technology, infrastructure, machinery and equipment, and services.

Key Economic Indicators for MENA Council Countries (2014)

	Algeria	Bahrain	Egypt	Jordan	Lebanon	Morocco	Tunisia	UAE	West Bank and Gaza
GDP at Market Prices (USD billion)	214.2	33.9	286.4	36.0	48.2	109.2	48.9	401.4	13.2
Real GDP Growth (%)	4.6	4.8	2.2	3.1	1.8	2.9	2.8	3.7	1
Population (million)	38.7	1.2	85.4	6.7	4.5	33.2	11	9.3	4.5
Current GDP per Capita (USD at PPP)	14,256	51,394	11,073	11,974	17,754	7,666	11,380	65,037	2,783
Unemployment (%)	10.8	4.1	13.4	12.2	6.5*	9.1	15.3	3.8	25
Consumer Price Inflation (%)	3	2.5	10.1	2.9	2.1	0.4	5.5	2.3	2
Total International Reserves (USD billion)	184.3	5.5	15	13.8	49.4	21.1	7.6	74.7	na
Interest Rates (period average lending rate)	8	5.9	11.8	9	7.2	6.3	na	5.3	7.2
FDI Inflows (USD billion)	1.69	0.99	5.55	1.8	2.83	3.36	1.1	10.49	0.18
Average Exchange Rate in December 2014 (Local Currency per USD)	80.3	0.38	7.1	0.71	1507.5	8.38	1.64	3.67	3.55

**2013 data*

Source: EIU and IMF

Leading Sectors for U.S. Investment and Trade

MENA Council Member	Agriculture and Manufacturing	Energy and Power	ICT	Infrastructure and Utilities	Machinery and Equipment	Services
Algeria	Agricultural Products	Oil/ Gas Hydrocarbons	Information/ Communication Technology	Public Works, Infrastructure Development, Water Resources, Safety/ Security Solutions		Healthcare
Bahrain*	Frozen/ Chilled Beef, Meat and Poultry, Motor Vehicles/ Vehicle Parts, Computers/ Peripherals	Electrical Power Systems	Telecommunications	Water Desalination	Air Conditioning/ Refrigeration Equipment, Medical Equipment/ Healthcare	Financial Services, Education and Training, Construction
Egypt	Agricultural Products	Electricity Power Systems, Renewable Energy	Telecommunications Equipment/ Services	Safety/ Security Systems, Water/ Wastewater Resources	Medical Equipment/ Supply	Architecture/ Construction/ Engineering Services, Franchising
Jordan	Agriculture	Renewable Energy	Information/ Communication Technology	Safety/ Security Equipment	Healthcare Technology/ Medical Devices	Green Building, Environmental Technologies
Lebanon	Apparel, Automotive, Drugs/ Pharmaceuticals, Agriculture				Medical Equipment	Education Services
Morocco	Agricultural Products	Renewable Energy		Infrastructure Projects, Environmental Technologies (Waste Management/ Water), Safety/ Security		Aviation (Civil/ Defense), Franchising, Healthcare
Tunisia	Agricultural Products	Electrical Power Systems, Renewable Energy	Telecommunications Equipment/ Services	Aircraft/ Airport Ground Support/ Aeronautics	Pollution Control Equipment, Automotive Parts/ Services/ Equipment	Architecture/ Construction/ Engineering Services, Insurance, Franchising
UAE	Automotive, Consumer Electronics, Cosmetics/ Perfumes, Agricultural Sectors	Renewable Energy		Aircraft Parts/ Services	Oil and Gas Field Machinery	Construction, Education, Franchising, Healthcare Services, Oil and Gas Field Services
West Bank	Processed Food, Furniture, Agricultural Products, Building Material	Energy	Telecommunications Equipment		Business/ Construction Equipment/ Medical Equipment	Franchising, Computers/ Peripherals, Education Training Services

Sources: Country Commercial Guides (CCG), 2014
**CCG, 2012*

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**Council Chairmanship transition will take place in December 2015. AmCham Bahrain will become Chair of the MENA Council and AmCham Morocco will become the Vice-Chair.*

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