Comments on US trade tariffs and GCC trade ties in Energy Intelligence, Apr 2025

Dr. Nasser Saidi's comments on the US reciprocal tariffs and the GCC trade ties appeared in an article titled "Why US Tariffs Will Not Change Gulf State Trade Ties" in Energy Intelligence, published on 10th April 2025 (paywall). The comments are posted below.

The impact on Gulf economies is also marginal because trading dynamics have changed drastically over the past three decades. For instance, the US is no longer the main trade partner of Gulf states. Asian countries, namely India, China, Japan and South Korea are the main trade partners, both in imports and exports, and increasingly as investment partners, Nasser Saidi, president of Nasser Saidi & Associates, a Dubai-based economic advisory and business consultancy, told Energy Intelligence.

While markets globally are likely to remain volatile as a result of the uncertainty on tariffs negotiations and investors and companies may adopt more of a wait and see approach, the effects are likely to be a temporary. "The fundamentals in the region are strong, and its diversified linkages, especially with Asia, will benefit the countries," Saidi said. This is in addition to the large labor flows that create both remittance and investment links with the labor-exporting countries.

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A sustained drop in oil prices will affect Gulf states that are less diversified and fiscally vulnerable due to high fiscal break-even oil prices, Saidi said, citing International Monetary Fund (IMF) data. The IMF sees fiscal break-even prices at $90.90/bbl in Saudi Arabia, $50 in the UAE, $124.90 in Bahrain, $81.80 in Kuwait, $57.30 in Oman and $44.70 in Qatar.

"Rising deficits could lead to a rein in of public spending and increased borrowing if project and social spending is to be maintained," Saidi said.

Still, "These are still early days as the impact of greater US protectionism unfolds, but there will be an impact on global supply chains and related investment flows," he added.

Recession fears could weaken the US dollar, which most Gulf currencies are pegged to, which would make their economies more competitive. Consequently, the optimal policy choice for Arab countries is to maintain a liberal and open trade and investment environment, Saidi said.

Gulf states are a gateway for Africa and Middle East countries as well as Southeast Asia, and they "could become even more attractive as an investment destination as countries, notably China and [others in Asia], diversify trade and investment away from the US," Saidi said.

Trump has a "transactional" nature, and when he visits the region in May, he is likely to have tariffs, non-tariff trade and investment barriers in his negotiation's toolbox, he added.