Pressure to Pivot: MENA's Response to U.S Tariffs

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Overall Summary (approx 120 characters, incl spaces → serves as social media caption & summary on the website)

The ripple effects of imposing tariffs on Middle Eastern countries go far beyond trade, straining diplomatic ties, disrupting local industries, and slowing regional growth.

One-Sentence Summary of Each Event You Report On (Bullet points OR full sentences, has to be consistent within one post. Will be posted on 2nd slide of the Instagram post)

Introduction:

On April 2, 2025, President Donald Trump imposed tariffs causing panic in the financial markets. The US administration has labelled the tariffs a "national emergency" to safeguard national security and protect American workers. The International Monetary Fund (IMF) has issued a warning that the new US tariffs will slow down global economic growth and push inflation upward. As with every region, the Middle East has been imposed with tariffs ranging from 10% to 50% depending on the country. The article will explore the impact of the tariffs on the Middle East, including the Gulf Cooperative Council (GCC). However, new opportunities and strategies for MENA countries will also be highlighted.

Impact on GCC:

GCC countries are the economic powerhouses of the Middle East, making them central players in the region's economic landscape. Trump imposed a 10% tariff on the Persian Gulf region despite the absence of a significant trade deficit. On April 6th, the day after the announcement of tariffs, the Saudi Arabia Tadawul Index experienced a drop of 6.78%.The International Monetary Fund (IMF) has projected that, with the exception of Qatar, GCC countries will experience slower economic growth amidst the imposition of tariffs. Gulf countries' economic exposure to the US is on a limited scale accounting for just 3.7% of the GCC's total exports. With relatively low trading volumes, the tariffs will not directly impact the economies of the Gulf. The fact that the Trump administration has spared the oil and gas exports from tariffs is a significant relief for the Gulf countries which rely heavily on revenues from hydrocarbons. The Gulf countries are primarily concerned by the indirect impact of the tariffs. The fear of a trade war amplified by the imposition of tariffs has driven down the price of oil to below $75, well below the price required. This will create issues for Gulf countries as most of them are reliant on energy exports to fund their budgets and economic diversification plans. For instance, Saudi Arabia requires oil to be at $101.14 per barrel to balance its budget. With massive capital required to fund its mega projects, such as Neom, the Kingdom will feel the pinch of decreased oil revenue.

Pivot Towards Asia:

The Middle East is seeking new partners to diversify its cooperation partners. With the imposition of tariffs, there is a likely possibility of bolstering ties with the Asian nations. In recent days, the Saudi Public Investment Fund injected $100 million into Malaysia's Air Asia. This and other deals are crystal clear proof that Middle Eastern countries are moving to Asia to pursue business interests. As global protectionism rises, Middle Eastern investors will reevaluate their traditional economic corridors. Asian markets, with their appetite for infrastructure, energy, logistics, and digital transformation, are proving fertile ground for cooperation. In return, Middle Eastern sovereign wealth funds and conglomerates bring substantial financial resources and energy expertise assets that Asian countries are eager to tap into. With the tariffs coming into place, it will only accelerate the shift of Middle Eastern countries to Asian markets.

Unintended but utilized crisis:

In the short term, this situation puts the GCC states in a more financially vulnerable position due to the lower oil price. Nevertheless, Saudi Arabia, as the de facto leader of OPEC, knows how to use the situation to its advantage. Recently, various countries in the cartel have exceeded the agreed production quotas, such as Iraq, the UAE and Kazakhstan. As previously mentioned, the problem for countries such as Saudi Arabia is that their economies largely rely on oil production. However, if there is an oversupply due to individual countries, the negative effect on Saudi Arabia's economy is amplified by a market glut and a drop in prices. With this in mind, shortly after Trump's announcement of the tariffs, Riyadh unexpectedly decided to reduce production volumes along with other OPEC+ countries in the short term. This can be seen as a clear signal to non-compliant members that Riyadh is indeed willing to restore discipline within the organization and accept short-term financial disadvantages. After all, a lower oil price makes it easier to win back market share.

New opportunities through US tariffs?

In addition to the GCC states, the US tariff policy is also a sign to the entire MENA region that the American domestic economy now takes precedence over traditional alliances and partners. While GCC countries import many goods from the US, countries such as Syria, Iraq, Libya and Algeria are particularly hard hit by the tariffs. But could this situation not also be a good time to open new economic doors? Due to the large number of imports, affected countries can now also boost their domestic economy, strengthen regional industries and also become less dependent on the unpredictability of foreign partners. There are already signs of an acceleration towards a diversification of trade relations, which are moving in the direction of China, India and Africa. The Gulf states in particular can now use this opportunity

not only to import products, but also to position themselves as a global hub for economic connectivity.