

Reshaping UAE Trade Amid Russia-Ukraine War

The war in Ukraine is putting the global supply chain to the test again and reshaping world trade. Moreover, the Russia-Ukraine war is boosting prices of energy and food, resulting in inflation and supply chain prohibitive costs. Many traders also expect a new round of delays and supply shortages. Therefore, the most urgent imperative way for UAE is to diversify away from unpredictable trading partners. This article identifies products where UAE should diversify trade and also provides recommendations to increase the exports to CIS.

Diversification of UAE Food Imports

Russia and Ukraine do not have a significant share in UAE's imports. In particular, between 2011 and 2020 the average share of Russia and Ukraine in UAE's total imports was 1%. However, in some goods, particularly food products, Russia and Ukraine have a significant share in UAE's imports.

The war in Ukraine will reduce food exports from Ukraine which is one of the major exporters of wheat, sunflower oil, eggs and maize in the world. Moreover, Western sanctions against Russia and Belarus will also impact the exports of wheat, barley, cocoa products and fertilizers.

The trade analysis shows that in 2020, the share of Belarus, Russia and Ukraine (BRU) in UAE's total Food and Beverage (F&B) imports was 4.1%. However, there are some products that UAE needs to diversify imports from in order to avoid Food Security risks. The highest risk is observed in sunflower seed oil because BRU has a 77% share in UAE imports and almost 60% share in global exports. Moreover, there are moderate risks in wheat, flax, barley and maize where the share of BRU in world exports and in UAE imports is double-digit. In other below-mentioned products, BRU countries do not have a significant share in world exports and there are many countries for UAE to expand imports from (Table 1).

Table 1: The share of Belarus, Russia and Ukraine (BRU) in selected food trade of the world and UAE, 2020.

	Share of BRU in world exports	Share of BRU in UAE imports	Countries to diversify imports
Sunflower seed oil	59%	77%	Turkey, Netherlands or replace with canola oil
Wheat	26%	54%	USA, India, France
Linseed	24%	33%	Canada, Kazakhstan
Eggs	4%	30%	Germany, Poland, Turkey
Barley	24%	26%	France, Australia, Canada
Starches	1%	26%	Thailand, Viet Nam
Confect. w/o cocoa	4%	24%	Germany, China, Mexico, Belgium
Grain sorghum	1%	23%	USA, Argentina, Australia
Chocolate	4%	15%	Germany, Belgium, Italy
Maize	15%	12%	USA, Argentina, Brazil
Tot. F&B	3.7%	4.1%	

Source: Dubai Chamber based on UNCTAD and FCSC

The latest data shows that food price has soared significantly since the start of the war due to shortages and supply chain disruptions and growth in logistics and insurance costs. Moreover, Russia is also one of the largest exporters of fertilizer and energy resources (oil and gas), which are very important inputs in agricultural production. Sanctions against Russia will continue to push up food prices and could put the world into a general food shortage. Therefore, it is recommended for UAE traders to look for alternative suppliers to absorb the shock on the food market.

Diversification of UAE Exports

Between 2011 and 2020 the average share of Russia and Ukraine in UAE's total exports was around 0.6%, but in some products, both countries have a significant share. The analysis shows that 79% of UAE's re-exports of other aircraft (helicopters, aero planes) went to Russia and Ukraine in 2020. In order to avoid the reduction in re-exports of this product group, UAE traders should diversify re-exports to China, Kenya and Indonesia. The analysis found 3 other products (other vessels, wadding of textile materials and other plastics) which are one of the top re-exported products of UAE, and Russia as well Ukraine jointly have a large share in UAE's re-exports.

Table 2: UAE re-exports to Russia and Ukraine, 2020 (diversification for UAE's top re-exported and high share products).

Product name	UAE re-exports to RUS+UKR	RUS+UKR share in UAE's total re-exports	Countries to diversify UAE's re-exports
Other aircraft (e.g. helicopters, aero planes)	\$7.9 mn	79%	China, Kenya, Indonesia
Other vessels (e.g. warships & lifeboats)	\$7.2 mn	66%	India, Oman, Cyprus,
Wadding of textile materials & articles of it	\$5.3 mn	33%	Oman, Kuwait, China, Iraq
Other plastic plates, sheets, film, foil & strip	\$5.0 mn	9%	Iraq, Turkey, India, Malaysia

Source: Dubai Chamber based on FCSC and ITC Export Potential Map

UAE should also apply export diversification in products where Russia and Ukraine have a high share in UAE's total exports. The analysis has found four products (waste of precious metal, tea, machinery for spraying liquids and rare earth metal) where both countries have a significant share in UAE's top exported products. The last column in the below table recommends countries diversify UAE exports to avoid any future risks (Table 3).

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Table 3: UAE exports to Russia and Ukraine, 2020 (diversification for UAE's top exported and high share products)

Product name	UAE exports to RUS+UKR	RUS+UKR share in UAE's total exports	Countries to diversify UAE's exports
Waste and scrap of precious metal	\$36.1 mn	21%	Germany, Belgium, Japan, UK
Tea, whether or not flavored.	\$26.5 mn	8%	Iraq, Kuwait, Libya
Machinery for spraying liquids/powders	\$15.6 mn	11%	USA, Belgium, India
Rare-earth metals (e.g. yttrium or scandium)	\$11.5 mn	100%	China, Japan, USA, Turkey, India

Source: Dubai Chamber based on FCSC and ITC Export Potential Map

imported food products UAE may face some shortages, but diversification of imports will reduce these risks. Besides, the risk is also high in UAE's 8 exported and re-exported products, but the research has found many other alternative countries to diversify exports to. Despite some risks, new opportunities also exist for UAE traders to increase exports to CIS in at least 10 potential products.

UAE's Export Opportunities to CIS

Russia has a significant share in CIS imports from the world in many products. Due to sanctions, Russia's exports of these products to CIS will be reduced. UAE traders may use this opportunity to increase the exports/re-exports to CIS. In particular, there is a huge opportunity in at least 10 products where CIS imports from the world and UAE exports to the world were more than \$300 mln. Furthermore, in these products, Russia has more than a 30% share in CIS's total imports, but UAE's share is between 0-2% (Table 4).

Table 4: UAE's Export Opportunities to CIS, 2020

	CIS import from world	UAE export to world	Russia Share in CIS total imports
Organic washing prepar.	\$846 m	\$350 m	37%
Polymers of ethylene	\$746 m	\$2,835 m	30%
Chocolate & cocoa prod.	\$743 m	\$437 m	51%
Sugar, in solid forms	\$634 m	\$597 m	58%
Pastry/Cakes/Biscuits	\$613 m	\$315 m	55%
Iron tubes and pipes	\$567 m	\$613 m	65%
Unwrought gold	\$474 m	\$29,304 m	74%
Shampoo/lotion for hair	\$447 m	\$458 m	40%
Paper for writing	\$358 m	\$705 m	53%
Unwrought aluminum	\$333 m	\$3,294 m	77%
Organic washing prep.	\$846 m	\$350 m	37%

Note: Commonwealth of Independent States (CIS) in this analysis include Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Source: Dubai Chamber based on UNCTAD and FCSC

Conclusions

The recent Russia-Ukraine war will impact the global supply chain and reshape UAE's total trade. The analysis shows that in some