

EXPANDING ECONOMIC COOPERATION BETWEEN RUSSIA AND THE UAE BEYOND THE ENERGY SECTOR

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Аннотация

This article examines how the United Arab Emirates (UAE) and Russia's economic ties have changed over time, with a particular emphasis on how those ties evolved from being mostly energy-based to becoming more diverse. The goal is to examine the forces behind this change, the major industries affected, and the larger implications for both economies. The article is divided into sections that provide background information on trade history and then analyse trade dynamics, including import and export patterns, and finally re-export activity. The article finds that non-oil trade between the UAE and Russia grew by 33.2% in the recent years, with Russia becoming a significant supplier of precious metals and machinery to the UAE. At the same time, the UAE has expanded its exports to Russia of non-oil goods, especially high-tech items. Based on their distinct economic advantages, both nations have successfully managed to address competitive challenges, leading to a strong and growing bilateral trade relationship.

Keywords

International trade, UAE-Russia trade, economic diversification, non-oil trade, re-exports, trade volume, export, import.

INTRODUCTION

Since the founding of diplomatic relations between the United Arab Emirates (UAE) and the USSR in 1971, the two countries have had modest economic cooperation until the end of the first decade of this century [1]. In the last few years, there has been a noticeable shift toward expanding the scope of this economic cooperation beyond energy, with non-oil trade exchange seeing an 80% growth in H1 2021 alone [2]. This article attempts to investigate this changing environment by looking at the many facets of trade and economic cooperation between the UAE and Russia, as well as reasons and drivers of such cooperation.

Possessing an abundance of natural resources, Russia has always played a crucial role in international trade. The United Arab Emirates, situated geographically at the intersection of Europe, Asia, and Africa, has emerged as a significant global hub for trade. Despite the fact that both economies are resource export-oriented, the recent high-level visits and participation in various forums signal that both countries are seeking to develop and diversify their economies [3]. Ultimately, making each other essential trading partners.

Being one of Russia's main Middle Eastern commercial partners, the UAE clearly demonstrates the strategic importance of the country to Russia [4]. Russia has been an increasing supplier of imports for the UAE, especially in industries like agriculture, machinery, and precious metals. On the other hand, the UAE's efforts to diversify its economy are highlighted by the notable increase in its non-oil exports to Russia, which include consumer electronics, machinery, and aluminium items. The UAE's trade dynamics with Russia are further improved via re-export activity. Making use of its position as a major international centre for logistics, the UAE re-exports a range of goods, including plastics, energy equipment, and chemical products [5].

UAE TRADE PARTNERS

Considering trade in goods, the relationship between Russia and the UAE is quite important for both countries. In fact, in the list of the UAE's most important trade partners by import volume, Russia ranked ninth, with a share of 1.9% of UAE's total imports in 2022 - surpassing the United Kingdom (1.8%), Viet Nam (1.8%) and France (1.7%), and just below Saudi Arabia (2.2%), Italy (2.1%), and Germany (2.0%) [6]. The list of UAE's top 10 trade partners is presented in Table 1 below.

Table 1

The UAE import value, US dollar thousand

No.	Exporters	Imported value in 2018	Imported value in 2019	Imported value in 2020	Imported value in 2021	Imported value in 2022	Share in total imported value
	World	261510757	267937296	246961071	347528998	420493198	100%
1.	China	38012298	40777643	39387737	51795572	67215283	16.0%
2.	India	23067077	26735301	16474075	20876187	27277047	6.5%
3.	United States of America	20919508	20013732	16518724	16876600	21415362	5.1%
4.	Japan	13807890	12613927	9457733	10859511	12010099	2.9%

5.	Türkiye	3448803	3535832	3041155	9580882	9604626	2.3%
6.	Saudi Arabia	7577102	6845384	6475864	7378270	9344012	2.2%
7.	Italy	6654181	6561554	5545313	7983864	8679869	2.1%
8.	Germany	10940575	10074235	8624203	8299268	8512143	2.0%
9.	Russian Federation	2152605	2794413	1942938	3709692	8189609	1.9%
10.	United Kingdom	7689634	7288213	5855432	5368765	7724006	1.8%

Source: International Trade Centre. List of Supplying Markets For a Product Imported by United Arab Emirates. Available at: https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1 (accessed 7 August 2024).

Russia ranked 22nd in the list of the UAE's export partners by volume, with a share of 0.5% in 2022, equal to Japan, Italy, and the Netherlands. Export volume saw a significant growth in 2021 and 2022, which is largely driven by re-exports [7].

As for Russia, its Federal Customs Service stopped publishing trade statistics from 2022, so the latest available data is for 2021. In 2021, the UAE ranked 70th on the list of the biggest import partners, with a share of 0.1% of total imports [8].

In exports, the UAE is among the top 25 trade partners for Russia, taking the 21st position in 2021 and accounting for 1.0% of total Russia's exports [9].

UAE IMPORTS FROM RUSSIA

As mentioned before, the Russian Federal Customs Service ceased publishing trade data after 2021, so for more recent information, one may rely only on the statistics of the United Arab Emirates Ministry of Economy presented in Table 2.

Table 2

UAE imported value (2014-2023), US dollars million

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
UAE Imported Value, US dollars million	2601	1731	1439	1726	2152	2794	1942	3709	8188	6652

Source: United Arab Emirates Ministry of Foreign Affairs. Bilateral Relationship. UAE Embassy in Moscow. Available at: <https://www.mofa.gov.ae/en/Missions/Moscow/UAE-Relationships/Bilateral-Relationship> (accessed 5 August 2024).

According to this statistics, the Russia-UAE trade shows a remarkable upward trend, as shows Figure 1 below. From 2016 through 2019, the UAE import volume was edging up. After a short decline in 2020, it picked up in 2021 and soared in 2022, slightly decreasing in 2023.

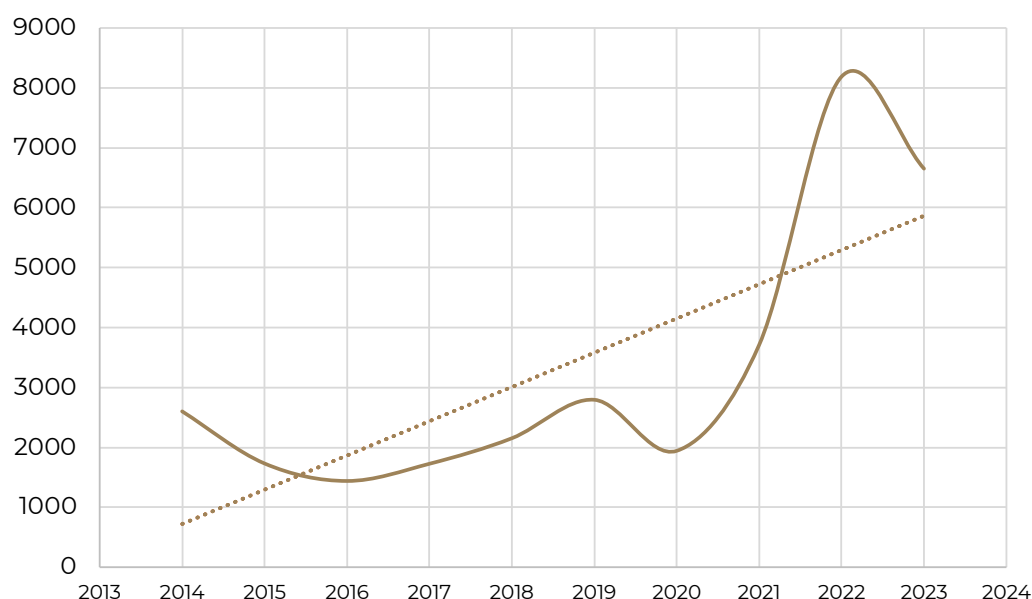


Fig. 1. UAE imported value (2014-2023), US dollars million.

Source: United Arab Emirates Ministry of Foreign Affairs. *Bilateral Relationship. UAE Embassy in Moscow*. Available at: <https://www.mofa.gov.ae/en/Missions/Moscow/UAE-Relationships/Bilateral-Relationship> (accessed 5 August 2024).

Further analysis shows that the significant growth of 2021-2022 is attributed to increasing imports of gold, outperforming even the usual import leader – diamonds. This is due to a European ban on Russian gold, which ultimately found its way to the UAE, a hub for trade in precious metals. In 2023, gold imports declined, which may be attributed to higher prices and lower demand.

UAE NON-OIL EXPORTS TO RUSSIA

As part of its diversification efforts, the UAE is publishing statistics on non-oil export value (Table 3). Non-oil exports to Russia are quite volatile, but 2023 demonstrates quite a positive dynamics, regaining ground after a drop of 2022 and surpassing the values of 2020-2021.

Table 3

UAE Non-Oil Export Value (2014-2023), US dollars million

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
UAE Non-Oil Export Value	291,7	326,3	211,8	248,7	301,8	342,1	260,1	258	202,3	269,6

Source: United Arab Emirates Ministry of Foreign Affairs. *Bilateral Relationship. UAE Embassy in Moscow*. Available at: <https://www.mofa.gov.ae/en/Missions/Moscow/UAE-Relationships/Bilateral-Relationship> (accessed 5 August 2024).

The increase of 2017-2019, demonstrated by Figure 2, was driven predominantly by growing exports of electrical machinery, namely telephone sets, microphones/ loudspeakers, and insulated wire; jewellery of precious metals, gold, and diamonds; mechanical appliances; parts and accessories for motor vehicles; etc.

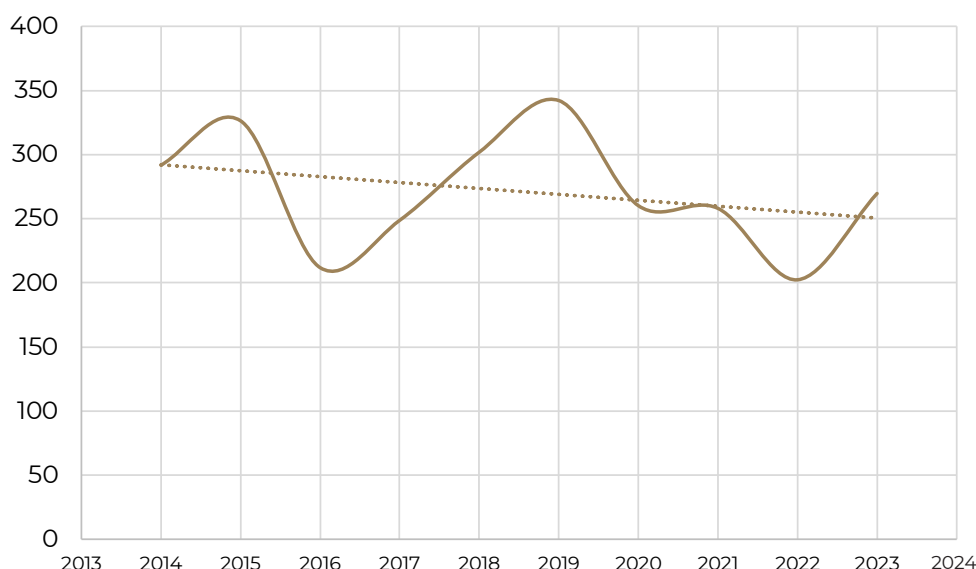


Fig. 2. UAE Non-Oil Export Value (2014-2023), US dollars million.

Source: United Arab Emirates Ministry of Foreign Affairs. Bilateral Relationship. UAE Embassy in Moscow. Available at: <https://www.mofa.gov.ae/en/Missions/Moscow/UAE-Relationships/Bilateral-Relationship> (accessed 5 August 2024).

The hike of 2023 is explained mostly by higher exports of cigars of tobacco, tea, and the category comprising unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognised face value; stamp-impressed paper; banknotes; cheque forms; stock, share or bond certificated; and similar documents of title.

UAE RE-EXPORTS TO RUSSIA

The overall UAE re-export value performance is quite positive almost throughout the whole period (Figure 3). Certain periods of slowdown in re-exports can be attributed to the strict monitoring of dual-use technology in the UAE, ensuring that it is used exclusively for civilian purposes [10]. However, since 2021, re-export value has enjoyed truly remarkable growth: 236% in 2021, 100% in 2022, and 77% in 2023.

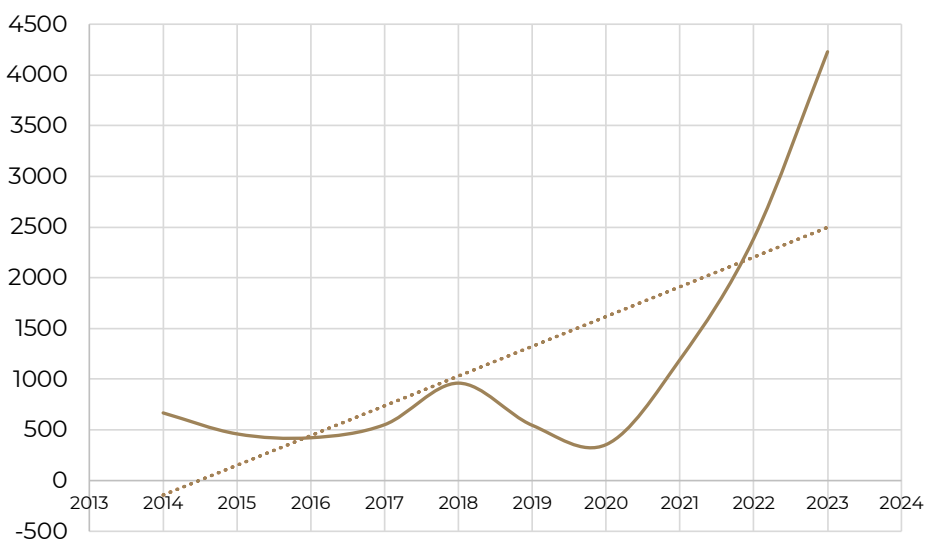


Fig. 3. UAE Re-Export Value (2014-2023), US dollars million.

Source: United Arab Emirates Ministry of Foreign Affairs. Bilateral Relationship. UAE Embassy

in Moscow. Available at: <https://www.mofa.gov.ae/en/Missions/Moscow/UAE-Relationships/Bilateral-Relationship> (accessed 5 August 2024).

The reasons behind such dynamics are the following.

- The growth of 2021 was driven mainly by telephone sets (an increase from \$58 million to \$684 million) and accessories of motor vehicles (from \$28 million to \$43 million).
- The hike of 2022 is explained again by higher figures for telephone sets (from \$684 million to \$1507 million), automatic data processing machines (from \$38 million to \$264 million), microphones and loudspeakers (from \$32 million to \$71 million).
- The increase of 2023 is attributed to growing values of telephone sets (from \$1507 million to \$2103 million), automatic data processing machines (from \$264 million to \$491 million), microphones and loudspeakers (from \$71 million to \$109 million), motor cars and motor vehicles (from \$58 million to \$62 million), as well as significant growth in such categories as parts and accessories of motor vehicles, printing machinery, etc.

Table 4

UAE Re-Export Value (2014-2023), US dollars million (2014-2023)

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
UAE Re-Export Value	667,3	460,6	422,5	551,5	961,1	545,2	355	1193	2388	4229

Source: United Arab Emirates Ministry of Foreign Affairs. Bilateral Relationship. UAE Embassy in Moscow. Available at: <https://www.mofa.gov.ae/en/Missions/Moscow/UAE-Relationships/Bilateral-Relationship> (accessed 5 August 2024).

Thus, re-export values have surged against the backdrop of geopolitical confrontation and Western sanctions against Russia, mainly driven by telephone sets, automatic data processing machines, microphones, and loudspeakers.

KEY GOODS IN UAE-RUSSIA TRADE

Based on the analysis of bilateral trade between the UAE and Russia, the authors of the article have identified the leading export and import goods for the countries. To do this, the average share of every product in total exports/imports of the country was calculated, and the goods were ranked according to this share. Thus, Table 5 below demonstrates the top 7 UAE import goods from Russia throughout 2016-2022.

Table 5

United Arab Emirates's imports from Russian Federation, US dollar thousand

No.	Product label	Value in 2016	Value in 2017	Value in 2018	Value in 2019	Value in 2020	Value in 2021	Value in 2022	Average share
	All products	1107624	1725710	2152605	2794413	1942938	3709692	8189609	100%
1.	Natural or cultured pearls, precious or semi-precious stones, precious metals, etc.	691425	1025970	1245121	1189588	1088292	2168191	7107467	61%
2.	Iron and steel	26315	96543	97676	147417	139006	393190	116399	5%
3.	Cereals	27985	64199	155704	172242	202329	85467	107564	5%
4.	Copper and articles thereof	218920	54992	87600	104350	37883	54867	90779	5%
5.	Mineral fuels, mineral oils and products of their distillation; bituminous substances; etc.	8745	49528	58371	124412	85855	87418	283013	3%
6.	Aircraft, spacecraft, and parts thereof	1341	35909	45059	42699	25665	171145	106487	2%
7.	Cocoa and cocoa preparations	7007	36698	91586	103348	71833	48085	13451	2%

Source: International Trade Centre. List of Supplying Markets For a Product Exported by Russian Federation. Available at: https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1 (accessed 8 August 2024).

From 2016 to 2022, the UAE's imports from Russia increased significantly, reaching a major peak in 2021 and 2022. The import of precious metals, stones, and pearls - which make up the majority of trade - has been the main cause of this rise.

Other categories, such as cereals, iron and steel, and mineral fuels, have a minor but noticeable impact. This trend points to a solid and expanding commercial partnership between the UAE and Russia, especially in the areas of luxury products and vital industrial supplies.

Table 6 below demonstrates the top 8 UAE export goods to Russia throughout 2016-2022.

Table 6

United Arab Emirates's exports to Russian Federation, US dollar thousand

No.	Product label	Value in 2016	Value in 2017	Value in 2018	Value in 2019	Value in 2020	Value in 2021	Value in 2022	Average share
	All products	484499	793618	1263195	887504	615192	1450654	2590577	100%
1.	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, TV etc.	155603	161912	497297	112132	82833	732318	1651778	33%
2.	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	56594	176116	157321	107799	95922	127286	385392	14%
3.	Natural or cultured pearls, precious or semi-precious stones, precious metals, etc.	118337	135009	192155	94187	72486	124869	66010	13%
4.	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	45875	90560	101586	37070	30812	55879	108590	7%
5.	Tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine, etc.	937	50348	71006	134573	80860	81933	52215	7%
6.	Aircraft, spacecraft, and parts thereof	5564	15757	29504	112006	47350	73000	63576	5%
7.	Coffee, tea, maté and spices	23863	30309	49920	44309	20709	27359	54859	4%
8.	Plastics and articles thereof	16684	37161	53270	55418	39370	48159	32638	4%

Source: International Trade Centre. List of Supplying Markets For a Product Exported by United Arab Emirates. Available at: https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1 (accessed 8 August 2024).

The considerable increase in UAE exports to Russia between 2016 and 2022 is indicative of a strategic expansion in trade relations between the UAE and Russia, driven by a diversification of export categories. With electrical machinery and equipment making up 33% of all exports, there is clearly a market in Russia for high-tech and industrial products. This demand may be fueled by the country's efforts to modernise and enhance its infrastructure.

CONCLUSION

The economic relationship between the UAE and Russia has experienced significant and mutually beneficial growth, particularly in recent years. Both countries have succeeded in broadening and strengthening their economic cooperation outside of the energy sphere, despite being significant oil exporters. The two countries' non-oil trade increased by 80% year-on-year in the first half of 2021, providing strong evidence of this change.

Russia's exports to the UAE increased from over \$2.1 billion in 2018 to over \$8.1 billion in 2022, making the UAE a vital Middle Eastern partner. Russia's main exports to the United Arab Emirates include equipment, grains, and precious metals. Changes in international markets and sanctions have led to a significant increase in the country's exports of luxury products, especially gold.

The United Arab Emirates has made notable progress in increasing its non-oil exports to Russia, namely electrical machinery, tobacco goods, and automobile parts. The UAE has further cemented its position as a worldwide logistics centre with its re-export activity, which experienced growth rates of 236% in 2021 and continued to expand in the following years.

By utilising their distinct economic advantages, both nations have effectively managed any competition pressures despite playing similar roles as major oil exporters. Together, they have established a strong trading partnership that is likely to keep growing and promote further collaboration across a range of industries.

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