

Gulf squeeze: How a distant crisis could shake Uganda's export boom

Trade |

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In 2025, Uganda stood on an export high. Bank of Uganda data indicate that the country earned \$12.64b from formal exports, up from Shs8.04b in 2024, the highest figure in the historical series.

But beneath that triumph sat a powerful concentration: \$5.27b, (41.77 percent) of all export earnings, came from the Middle East. No other region came close.

Comesa contributed \$2.44b (19.3 percent), Asia \$2.07b (16.4 percent), and the European Union \$2.07b (16.3 percent).

The Middle East alone earned Uganda more than Comesa and the EU combined.

Within that Middle East story was an even sharper reality: the United Arab Emirates accounted for \$5.18b (98.29 percent) of the Middle East total, virtually the entire region total.

In other words, in 2025, roughly four out of every 10 export dollars entering Uganda depended on one Gulf hub.

How the region became Uganda's export lifeline

This was not always the case. In 1997, exports to the Middle East were just \$4.8m, a marginal 1.7 percent share, according to Bank of Uganda data.

Even in the mid-2000s, the region's role was modest, but the structural shift began around 2018, when earnings rose to \$599m, before increasing sharply to \$1.23b in 2019 and further to \$1.87b in 2020, accounting for nearly 45 percent of total exports that year.

After some volatility, the figure settled on \$2.69b in 2024 and then surged dramatically to \$5.28b as of December last year.

Between 2018 and 2025, the Middle East transformed from an important market into Uganda's single most dominant export destination.



President Museveni at the launch of a gold refinery. Gold dominates Uganda's exports, generating \$6.4b and driving the surge in Middle East trade, underscoring the country's growing dependence on commodity-linked markets. PHOTO / FILE

This was not a gradual drift but a surge, driven by high-value commodities and deepening trade links through Gulf trading hubs, especially Dubai.

What Uganda sells

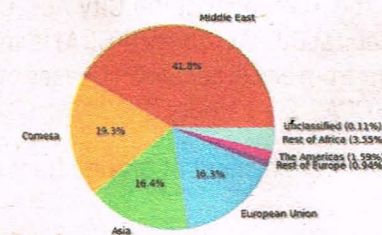
Bank of Uganda export composition data explains what is powering Uganda's earnings.

In 2025, Uganda's export basket was dominated by gold, which earned \$6.4b, and coffee, which brought in \$2.46b.

Cocoa beans generated \$632m, sugar \$227m, fish and fish products \$158m, base metals and products \$242m, and oil re-exports \$145m.

Only gold and coffee were large enough to explain multi-billion-dollar

Uganda's export distribution by region



Source: Bank of Uganda

lar destination totals. Given the dominance of the UAE in the direction-of-trade data, it is clear that high-value commodity flows, particularly gold, are central to the Middle East's importance.

What if the crisis persists?

Suppose instability in the Middle East lingers, disrupting logistics, trade finance, shipping insurance, or payment flows.

Because the region represents 41.77 percent of export earnings, the shock would be systemic.

If exports to the Middle East fell by just 25 percent, Uganda would lose roughly \$1.3b in foreign exchange, more than 10 percent of total export revenue. At a 40 percent disruption, the loss would exceed \$2.6b.

That kind of contraction would ripple through the economy.

Export proceeds are a major source of foreign exchange, so a sudden shortfall would tighten dollar liquidity, potentially weakening the shilling and raising the cost of imports.

Gold traders and coffee exporters would feel immediate stress through slower payments, cancelled contracts, or higher freight and insurance costs, and farmers would feel the effects through lower farm-gate prices or delayed purchases.

With export receipts down, pressure would build on reserves and macroeconomic stability.

Policymakers would face difficult trade-offs between defending the currency and allowing adjustment.

Although Uganda exports to Asia, Comesa, and the European Union, those regions together still do not match the Middle East's might.

Bank of Uganda trade data tells a powerful narrative. Uganda's export success has grown, but so has its concentration risk.

The Middle East became indispensable in less than a decade. What began as a modest trading in the late 1990s evolved into a central pillar of Uganda's foreign exchange earnings by 2019, and by 2025, it was the country's single most important export destination.

The numbers tell the story of a triumph of export expansion, but it is also a reminder that in global trade, dependence brings both opportunity and vulnerability.