

The UAE's complex relationship with Iran looks like it may be improving following bilateral moves to reduce tensions and calls to renew collaborations. But can these recent developments be equated with a wider thawing of relations in the region?

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Since attacks on tankers and shipping vessels in the Strait of Hormuz and the Persian Gulf in summer 2019, the UAE has altered course in its relations with Tehran and pursued practical bilateral de-escalation, including calls for regional dialogue to mitigate tensions. Seeking to protect the UAE's image as a haven for investment, trade and commercial activity, this repositioning reflects the Emirati leadership's tangible fears that regional tensions with Tehran could directly impact the UAE's security interests and damage the business climate.

## Recession risks

As reported by the Economist Intelligence Unit, lower oil prices and [increased risk from regional tensions](#) has led to declining growth in the UAE of 1.9% in 2019. The forecast for the coming years is more positive: oil price increases in 2021-23, coupled with infrastructure investments made for the 2020 Dubai Expo, will result in GDP growth of 2.4% in 2020, accelerating to 3.2% in 2021.

But despite these prospects, fears of a recession remain due to an anticipated real estate bubble, a decline in tourism and the ongoing loss of trade with Iran due to US sanctions. These domestic factors, coupled with the cost of the Yemen war and the continued impact of [the Qatar crisis](#) are contributing to the UAE's turn toward a de-escalatory strategy.

## Dynamics of UAE complicate relations

The UAE has had a complex relationship with Iran compared to its Gulf neighbors due to the individual dynamics of the seven emirates. Home to an estimated 400,000 residents of Iranian descent and a multitude of Iranian companies, the UAE and Iran share a long history of trade and travel –particularly between Iran and the northern emirates of Sharjah, Ras Al Khaimah and Dubai.

Abu Dhabi, however, has long taken a more hawkish anti-Iranian posture, supporting Riyadh after the

2016 storming of the Saudi embassy in Tehran and downgrading its diplomatic ties. It has also been behind US President Donald Trump's withdrawal from the JCPOA and Washington's sanctions-based [maximum pressure campaign](#), designed to force Iran back to the negotiating table. Growing regional activism and a new vision of the UAE as a political model for the Middle East has been driven by the emirate's de facto ruler, Crown Prince Mohammed bin Zayed (MBZ). This has also been evidenced in Abu Dhabi's role in Yemen, the Horn of Africa, the Qatar crisis and repeated calls for Iran to cease supporting proxy and sectarian groups.

Abu Dhabi's position has in turn impacted Dubai's longstanding trading relationship with Tehran; the emirate has long served as the Islamic republic's principle re-export market. Policy differences between Abu Dhabi and Dubai shifted to a more aligned approach after Abu Dhabi's 2009 bailout of Dubai. It is widely believed that the unstated price of Abu Dhabi's financial assistance was Dubai's acceptance of Abu Dhabi's regional foreign policy.

These changing dynamics are captured by the bilateral trade data between Iran and the UAE, which has contracted to \$1.75bn in July 2019, from \$2.49bn in December 2018. In comparison, trade figures during the last round of sanctions in 2014 averaged \$1.92bn monthly.

## Steps toward renewed collaboration

As part of the de-escalation strategy in effect since late July 2019, the UAE has not directly implicated Iran for the May attacks on tankers. It has also sent a number of delegations to Tehran to discuss issues pertaining to maritime security. One outcome has been the reactivation of the Joint Emirati-Iranian Border Committee, which coordinates bilateral issues related to fishing, border security, maritime transit and surveillance and has been inactive since 2013. Emirati foreign minister Anwar Gargash built on security collaborations by most recently calling for talks to address nuclear and regional tensions with Iran.

The Iranian Business Council also reported that Emirati leadership has committed to resolving problems related to visas, residency permits and banking closures for Iranian nationals and residents. In October it was reported that Tahnoon bin Zayed, MBZ's brother, visited Tehran, and unsubstantiated reports have also claimed the release of \$700m in Iranian assets.

A similar recalibration has also been seen in the four-year Yemen conflict, where the UAE drew down

its forces from positions in south Yemen. Despite rhetorical criticism of Iran and the Houthis, Saudi Arabia and the UAE – while allied – had divided their efforts in the conflict. Riyadh focused on the fight against the Houthis in the north and the UAE concentrated efforts in combating Al Qaeda in the Arabian Peninsula and building up its own security and governance infrastructure in the south, thereby not directly engaging in conflict with Iranian-supported forces. The UAE’s support for the Riyadh agreement, which will centralize control for a new government that will include UAE-backed Southern Transitional Council, heralds a new de-escalatory pattern in Emirati foreign policy.

This shift should also be seen in the context of growing unease with the Trump administration’s “America First” foreign policy, which has left US allies and [Gulf partners concerned over US security guarantees](#) to the region. Erratic decisions regarding US troop commitments in Syria, in addition to the mute response to the Iranian downing of a US drone in June and the September 14th strikes on Saudi facilities in Abqaiq and Khurais, may also be contributing factors in the UAE’s realignment.

None of these moves suggest that a wider strategic rapprochement with Tehran is imminent. Moreover, the UAE has by no means altered its image of Iran as a malign regional actor. With no long-term strategic guidance from Washington on managing tensions with Iran, however, the UAE’s shifting approach reflects a pragmatic reprioritization of domestic, economic, strategic and security concerns.

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