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Changes in UAE Policy

Reasons and Motivations

Unit for Political Studies

Changes in UAE Policy: Reasons and Motivations

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Unit for Political Studies

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Contents

Indicators of change in Emirati policy	1
Reasons for the change in Emirati policy	2
Strategic concerns	2
Economic concerns	3
Military and security concerns	4

Over the last few weeks the UAE has taken a series of steps indicating a possible shift in its policy on a range of regional issues: its withdrawal from Yemen, its resumption of communications with Iran on the pretext of border security and its indication of its willingness to stimulate commercial and investment relations in a clear attempt to relieve tensions with Tehran. To what extent are these real changes? And what are the reasons that have led Abu Dhabi to initiate them in a time when all the evidence suggested full commitment to a policy of opposition to Iran in the region?

Indicators of change in Emirati policy

The first indications that Emirati policy might be changing appeared in Yemen. On 8 July 2019 Abu Dhabi announced its intention to reduce and redistribute its forces in Yemen after more than four years of involvement and move from what it referred to as a 'military first' strategy to a 'peace first' strategy. The UAE subsequently withdrew from its positions in the Northern provinces (most prominently Sarouh in Marib and the Port of Mocha and Khoukha on the Red Sea) handing them over to Saudi forces.⁽¹⁾ They also surrendered the island of Perim (Mayyun) in the Mandib Strait to the Aden Coast Guard.⁽²⁾

On 30 July, a high-level Emirati military delegation arrived in Iran led by coastguard commander Brigadier-General Ali Mohammed Musleh al-Ahbabi. In the course of this visit al-Ahbabi met with the commander of the Iranian Border Guards, Qassem Rezai, and signed a memorandum of understanding to strengthen border security between the two countries, including regulation of fishing access to territorial waters and the settlement of various issues relating to detainees arrested for violations of fishing and smuggling laws.⁽³⁾ The Joint Emirati-Iranian Border Committee has also resumed its functioning after six years of inactivity.⁽⁴⁾ According to Rezai, annual meetings are scheduled to be held between the two countries in Tehran and Abu Dhabi, and biannual meetings in the border areas. He also stated that the memorandum facilitates legitimate border crossings and fishing activities, while frustrating any attempt to 'damage security and calm between the two countries'. Al-Ahbabi also described the memorandum as a positive step serving the interests of both countries and of border security and surveillance and traffic.⁽⁵⁾

Three days after the signing of the border memorandum, on 4 August, the Iranian Business Council in the UAE announced that it had received assurances from the ruler of Dubai, Sheikh Mohammad bin

1 "Sources: UAE hands over its operational base in Mocha to Saudi forces after withdrawal from Khoukha," *Almasdar Online*, 08/07/2019 (accessed on 11/07/2019 at <https://bit.ly/2LCA6Su>).

2 See: "Future of the Yemen conflict after the withdrawal of Emirati forces," *Situation Assessment*, ACRPS, 15/07/2019 (accessed on 19/08/2019 at <https://bit.ly/2Z2rSuP>).

3 "UAE: Coastguard negotiations with Iranian counterparts positive," *Irna*, 31/07/2019 (accessed on 05/08/2019 at <https://bit.ly/2Z2rSuP>).

4 "Increased cooperation between Iran and UAE helps support border security," *Irna*, 01/08/2019 (accessed on 05/08/2019 at <http://bit.ly/2KkwMuh>).

5 Ibid.

Rashid, that were set to solve the problems faced by Iranian businessmen with investments in the Emirates and facilitate further investment activity. The measures include the issuing of commercial visas to Iranian investors, an end to the closure of Iranian bank accounts and the opening of new accounts for investors in spite of US sanctions, and likewise an end to the policy of revoking residency permits.⁽⁶⁾

Reasons for the change in Emirati policy

The reasons for the recent developments can be summarised as follows:

Strategic concerns

These pertain to a loss of confidence in the US position. The UAE, alongside Saudi Arabia and Israel, has been one of the most eager supporters of President Trump's extreme Iran policy, which began with withdrawal from the Iranian nuclear deal in May 2018 and the re-imposition of sanctions, particularly those connected to oil exports. But the UAE began to distance itself from the extreme anti-Iranian line when tankers carrying Saudi, Emirati and Norwegian flags were attacked and damaged on 12 May 2019 a short distance from the port of Fujaira, which handles 70% of the UAE's oil exports.⁽⁷⁾ It avoided directing any accusations towards Iran, despite Washington's swift move to attribute responsibility to Tehran followed by similar accusations from London. When more attacks took place in the Sea of Oman on 13 June 2019 and Iran seized an oil tanker flying a British flag in Oman's territorial waters on 4 July in response to the UK's seizure of an Iranian tanker in Gibraltar, the UAE's faith in Washington's commitment to a strong deterrence strategy was further shaken when Trump evaded responsibility for protecting Gulf oil supplies, saying it was the responsibility of the countries that consume oil sourced in the region.

The uncertainty regarding US policies reached its peak when Trump elected not to respond to Iran's downing of an expensive US drone on 20 June 2019. Iran claimed this drone had been launched from the Emirati base of Dhofra, and warned the UAE that they were 'playing with fire'.

As tensions with Iran escalated in the Gulf, Houthi targeting of vital infrastructure within Saudi Arabia – including airports and oil installations – has intensified, both through drones and rocket attacks. Here, too, the US failed to provide much support to its Saudi allies, leading to greater deterioration of trust.

At the same time, the UAE has started to notice the signs of Washington's failure or lack of seriousness in creating an international alliance to protect the freedom of shipping in the Gulf; Trump's preference

6 "New openness: Dubai fixes Iranian traders' problems," *Al Jazeera Net*, 04/08/2019 (accessed on 05/08/2019 at <http://bit.ly/2YJYh4r>).

7 "Most important UAE oil export source targeted: Why is Fujaira important?" *Al Khaleej Online*, 13/05/2019 (accessed on 05/08/2019 at <http://bit.ly/2Kjzj7S>).

for negotiation rather than confrontation with Iran has become clear to those who supported this project most eagerly. The lack of seriousness has also pushed important European countries like France and Germany to refuse to participate in the naval force intended to protect shipping in the Gulf. This has increased Abu Dhabi's fear that it will be left alone in the confrontation with Iran, which has placed responsibility for rising levels of tension in the region squarely on the UAE and Saudi Arabia.

It has become clear that the President of the USA will not go beyond its embargo policy. Nor will he protect its allies from Iran's reactions to the embargo, which has targeted these allies and not the USA.

Economic concerns

The UAE faces persistent economic challenges – particularly the Emirate of Dubai, which has not yet recovered from the effects of the global financial crisis that struck in 2008. Its close commercial links to Iran mean that it has been one of the countries most badly affected by US sanctions; the UAE was formerly known as Iran's window to the world and the centre of its financial and banking activities as well as a re-export and import centre (transit trade) for goods travelling to and from the country. But US pressure to reduce its commercial engagement with Tehran, which before the recent crisis was valued at some 16 billion dollars annually, has taken a serious toll on the economy of Dubai in particular. This has coincided with crises in tourism, property and services accompanied by a relative fall in the price of oil. Furthermore, it seems that Abu Dhabi's adventurism and its attempt to play the role of regional power by intervening in Yemen, Libya, Sudan etc have strained its resources without providing any returns. We might also add that the UAE's negative image, attributable to its opposition to democracy and its interventions in various regional countries' domestic affairs, has begun to negatively affect its ability to attract investment. All this less than a year before Dubai is set to host the 2020 Expo, which it hopes will bring about a quantitative shift in the Emirate's economy.

Against this background the oil tanker and navigation crisis in the Gulf has raised the cost of shipping and goods insurance and of the protection provided by the USA, whether through Trump's well-established policy of blackmail or the arms race that has enveloped the region: in 2018 the UAE's defence spending exceeded 21 billion dollars. Oil shares are also threatened in the global marketplace: East Asian consumers such as China, India, Japan, South Korea and Taiwan have begun to actively search for alternatives to Gulf oil because of fears that supply lines will be cut should a confrontation break out and the Strait of Hormuz be closed. And during the latest crisis, there was a wave of capital flight away from the Gulf, particularly from the UAE whose economy depends in significant part on financial services and derivatives. UAE stock markets have also been negatively affected by the crisis atmosphere. It is notable that the US president has tried to exploit the declining security situation in the Gulf and the risk of attacks on oil tankers to market US shell oil in East Asia – the destination for some 70% of all Gulf oil exports – at the expense of Saudi and Emirati oil.



Military and security concerns

Given its close proximity to Iran, Abu Dhabi has started to realise that if a military conflict between Washington and Tehran were to break out the UAE itself could become a theatre of war. Moreover, its oil installations are the closest to Iran and the easiest for Iranian forces to target with short-range rockets, raising the prospect of catastrophic economic and environmental damage. Any such confrontation would also lead to foreign companies and their employees fleeing the country *en masse* and the collapse of Emirati oil production. The country also fears the possibility of cyber attacks targeting its banks and oil infrastructure, which would have huge repercussions. And because Gulf states' economies, particularly the UAE, depend on non-productive economy activities requiring the presence of a substantial foreign workforce, any confrontation would lead to economic chaos and mass emigration.

These are the concerns which may have encouraged Abu Dhabi to reassess its position, leading to its withdrawal from Yemen in favour of protecting its own territories, and likewise to its rapprochement with Iran to protect itself from potential Iranian retribution in the absence of confidence in Washington's commitment to defending its allies. It may be that the UAE sees this as the right moment to distance itself from confrontation, anticipating US-Iranian negotiations that might leave it to harvest the fruits of escalation with Iran alone.