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Balancing Conflict and Economic Interdependence in the Geopolitics of Iran and the UAE

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Abstract

The geopolitical dynamics between Iran and the United Arab Emirates (UAE) in the Persian Gulf are shaped by a complex interplay of conflict and economic interdependence. While territorial disputes—particularly over the Three Islands (Abu Musa, Greater and Lesser Tunbs)—and security concerns stemming from Iran's regional influence in Yemen, Syria, and Lebanon contribute to tensions, strong economic ties persist despite political friction. The UAE serves as a crucial commercial hub for Iranian trade, enabling financial and logistical exchanges that sustain mutual interests. This article applies theoretical perspectives from Realism, Constructivism, and Regional Security Complex Theory (RSCT) to analyze the historical evolution, strategic dilemmas, and economic imperatives that define Iran-UAE relations. Key external actors, including the United States, China, Russia, and Israel, further influence the region's security and trade framework, complicating diplomatic engagements. Given these competing forces, this study explores potential avenues for conflict resolution and deepened economic collaboration, assessing how regional policies, multilateral agreements, and pragmatic diplomacy could balance strategic rivalries while preserving economic interdependence. The findings contribute to a nuanced understanding of geopolitical proximity, highlighting how nations with competing security interests can maintain economic engagement despite ongoing tensions.

key words: Geopolitics, Iran-UAE Relations, Persian Gulf, Conflict and Cooperation, Economic Interdependence, Territorial Disputes, Energy Trade and Oil Diplomacy

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Introduction:

The Persian Gulf has long been a focal point of geopolitical tension, where competing national interests shape security dynamics and economic policies. Among the most complex bilateral relationships in the region is that of Iran and the United Arab Emirates (UAE), two neighboring states whose geopolitical proximity creates both opportunities and challenges. The territorial dispute over the Three Iranian Islands (Abu Musa, Greater and Lesser Tunbs) remains a central point of contention from UAE point of view, fueling political disagreements and military strategies. Simultaneously, economic interdependence, particularly trade through Dubai, sustains a degree of pragmatic engagement that prevents a complete diplomatic rupture.

Despite Iran and the UAE's contrasting foreign policy alignments, particularly regarding U.S. interests, Gulf Cooperation Council (GCC) dynamics, and Israel, both nations navigate a delicate balance between conflict and cooperation. This article explores how Iran and the UAE manage these dual realities, using theoretical frameworks such as Realism, Constructivism, and Regional Security Complex Theory (RSCT) to analyze their evolving relations.

By examining historical tensions, economic collaboration, regional security policies, and external influences from the United States, China, Russia, and GCC nations, this study aims to provide a comprehensive perspective on the paradox of proximity—where geopolitical competition coexists with necessary economic interdependence. Understanding this dynamic is crucial for assessing future diplomatic strategies, conflict resolution

mechanisms, and the broader impact on Persian Gulf stability.

Problem Statement: The geopolitical dynamics between Iran and the UAE in the Persian Gulf present a paradox of simultaneous conflict and economic interdependence. While political tensions, historical disputes, and security concerns create friction, economic cooperation remains a vital necessity for both nations. This article seeks to examine how proximity shapes their interactions—forcing a delicate balance between strategic rivalry and pragmatic collaboration. Understanding this interplay is crucial for assessing regional stability, trade relations, and future diplomatic engagements.

Main Research Question

- What are the potential future developments in Iran-UAE relations, and how might they impact broader Persian Gulf geopolitics?

Main Hypothesis

Despite historical geopolitical tensions, Iran and the UAE maintain a level of economic interdependence that compels both nations to balance conflict with strategic cooperation in the Persian Gulf.

Main Objective and Aim

- Analyze Geopolitical Tensions: Investigate the political and security challenges defining Iran-UAE relations.
- To highlight the broader geopolitical significance of this relationship within Persian Gulf and international affairs

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Literature Review

Boltuc (2025) examines how regional shifts and global power realignments shape Iran's strategic posture in the Middle East. The report highlights conflicting U.S. signals during the May 2025 presidential visit, where diplomatic gestures were paired with economic sanctions, creating uncertainty in Tehran's policy-making. Saudi-Iranian rapprochement, facilitated by China, secured assurances that Saudi Arabia won't serve as a U.S. military outpost against Iran. The article explores Iran's recalibration under U.S. policies, Saudi diplomacy, and shifting alliances, emphasizing adaptive diplomacy's role in maintaining leverage. Of concern to Israel, Trump bypassed Israeli input on key negotiations, including Iran, Ansarullah, and Palestinian factions, marking a shift from traditional U.S.-Israel alignment. Strained ties with Netanyahu further weaken Israel's influence on U.S. regional policy. To address nuclear concerns, Iran proposed a Persian Gulf-inclusive uranium enrichment consortium, involving Saudi Arabia and the UAE as shareholders with access to Iranian technology. This initiative aims to reshape perceptions of Iran's nuclear ambitions, counter U.S. narratives, and enhance strategic legitimacy through regional partnerships.

Cafiero (2025) analyzes how Trump's return to the White House affects the Gulf Cooperation Council's (GCC) geopolitical approach. While Persian Gulf states backed Washington's Iran policy in his first term, the GCC has since expanded alliances, strengthening ties with China, Russia, and other global powers. The report highlights the GCC's push for strategic autonomy amid U.S. foreign policy uncertainties. The UAE leads in independence, joining BRICS and deepening Beijing ties, while Qatar remains closely aligned with the U.S., hosting its largest Middle East military

base. The analysis underscores the GCC's shift from U.S. reliance to multipolar engagement, shaping future Persian Gulf strategies.

Maria Mazzucco & Leonardo Jacopo (2025) analyze UAE-Iran diplomatic dynamics, focusing on both progress and challenges in their rapprochement. The UAE aims to position itself as a regional mediator, reshaping Persian Gulf geopolitics through diplomacy. Despite high-level meetings between UAE President Mohammed bin Zayed Al Nahyan and Iranian President Masoud Pezeshkian, major obstacles remain. The analysis highlights how diplomacy is influenced by internal priorities and external pressures, emphasizing the fragility of rapprochement and the need for pragmatic engagement amid global shifts.

Fulton Jonathan and Schuman Michael (2024) examine China's evolving Middle East diplomacy, highlighting its shift from a cautious "hedging" strategy—balancing regional ties—to a more assertive "wedging" approach, exploiting divisions between the U.S. and its Persian Gulf allies. China's response to the Gaza crisis illustrates this change. The study explores how China's rising influence presents both opportunities and challenges for regional stability, shaping power dynamics, U.S. foreign policy, and Gulf security frameworks. It underscores the Middle East's increasing multipolarity, where China's diplomatic assertiveness tests Western dominance.

Tomba (2021) examines the UAE's transformation from a resource-dependent monarchy into a global economic powerhouse. The report highlights its shift from oil reliance to diversification in trade, logistics, tourism, finance, and technology. It underscores the UAE's soft power strategy, including space exploration, infrastructure, and global investments, solidifying its geopolitical influence. However, challenges like regional instability,

decarbonization, and fluctuating oil prices threaten long-term sustainability. The study concludes that small states adapt to global shifts through economic diversification and military modernization, showcasing the UAE's resilience via expansion and security engagement.

Azodi and Cafiero (2020) analyze the UAE's evolving approach to Iran, highlighting how Abu Dhabi balances security concerns with economic pragmatism. The article concludes that the UAE maintains a cautious yet adaptable stance, shaped by territorial disputes, security, and economic interdependence. The study underscores how strategic hedging—balancing alliances with cooperation—enables the UAE to optimize benefits while minimizing risks. The analysis illustrates how small states navigate complex regional dynamics through strategic flexibility.

Shahrour (2020) analyzes the UAE's rise from a small Gulf monarchy to a regional power with significant geopolitical influence. The study examines its shift from passive alignment to assertive self-reliance, especially after Sheikh Zayed's passing in 2004. The UAE's military expansion, dubbed "Little Sparta," reflects its growing defense capabilities. The study questions the sustainability of this ambitious foreign policy, highlighting challenges like regional conflicts, diplomatic tensions, and structural constraints. It explores how small states overcome limitations through strategic adaptability, economic leverage, and military modernization, offering insights into the UAE's future trajectory with Iran, Saudi Arabia, and global powers.

Sadjadpour (2011) examines the UAE's dual role in the U.S.-Iran geopolitical rivalry, contrasting Abu Dhabi's alignment with Washington's containment strategy and Dubai's role as a trade hub for Iran. Despite sanctions,

Dubai's loosely regulated ports allow Iran to bypass restrictions via transshipment networks, frustrating U.S. efforts. The study suggests Washington and Abu Dhabi may have diverging long-term interests—while the U.S. focuses on military containment, the UAE prioritizes economic stability and regional security. The analysis highlights Persian Gulf geopolitics' complexity, where economic interdependence and security dilemmas shape diplomatic strategies.

Research Gap:

Evolving Economic Interdependencies: While existing studies discuss UAE-Iran economic ties, they often focus on historical patterns. There is limited research on how emerging trade routes, sanctions, and new financial mechanisms (e.g., digital currencies, alternative banking channels) shape economic interdependence between the two countries.

Security vs. Pragmatism in Diplomacy: Previous works highlight the UAE's strategic hedging, but few explore how it balances security concerns and economic pragmatism in real-time—especially as regional conflicts escalate and Persian Gulf states reassess their alliances.

Role of Non-State Actors: Much of the literature focuses on state-level diplomacy, yet the role of corporations, financial institutions, and even informal trade networks in shaping UAE-Iran relations remains underexplored.

Impact of Chinese and Russian Influence: While multipolarity is increasingly discussed, specific studies on how China and Russia's expanding role in the region directly affects UAE-Iran relations remain scarce.

Future Scenarios and Risk Assessments: While historical analyses dominate, fewer studies attempt predictive modeling of how

UAE-Iran relations may evolve under different geopolitical and economic conditions.

Theoretical Framework

- **Realism – Power and Security:** Countries act in their own self-interest, prioritizing security and control. Iran and the UAE compete for regional influence, leading to tensions. External powers like the U.S. and Saudi Arabia affect their relationship.
- **Liberalism – Economic Cooperation:** Despite conflicts, economic ties encourage dialogue and stability. Trade and investment create mutual benefits, reducing hostility. International agreements and diplomacy help balance relations.
- **Complex Interdependence – Conflict vs. Cooperation:** Politics and economy are deeply connected—conflict exists, but trade continues. The UAE plays a key role in Iran’s economic network, despite political tensions. Economic necessity forces cooperation, even when political disputes arise.
- **Regional Security – Persian Gulf Stability:** Security in the Persian Gulf affects all neighboring states. Iran-UAE tensions impact Gulf security policies, defense strategies, and alliances. Maritime security and territorial disputes create instability in the region.
- **Constructivism – Identity and Perception:** National identity and historical grievances shape foreign policy. Iran and the UAE see each other differently, affecting diplomatic actions. Past conflicts influence current interactions, making trust difficult.

How does It Apply to this Study

Realism explains political rivalry and security concerns. Liberalism highlights economic interdependence and cooperation. Complex Interdependence shows how both conflict and trade coexist. Regional Security explains broader Persian Gulf stability. Constructivism explores national identity and perception shaping foreign policy.

Research Methodology: This study adopts a qualitative approach, utilizing historical analysis, geopolitical frameworks, and economic assessments. Primary and secondary sources, including diplomatic records, trade data, and regional security reports, inform the discussion.

An Analytical Review of UAE Establishment

The United Arab Emirates (UAE) was established on December 2, 1971, following Britain's decision to withdraw from the Persian

Gulf in 1968. This move addressed regional threats and instability among the Trucial States, ensuring collective security and resistance against foreign domination.

UAE’s independence unfolded amidst global tensions. The U.S. was nearing the end of the Vietnam War (Paris Peace Talks, 1968), influencing Cold War dynamics. The Arab world faced turmoil post-Six-Day War (1967), with Israel occupying key territories, while Egyptian President Gamal Abdel Nasser led nationalist efforts. In South Yemen, the communist PDRY allied with the Soviet Union, which established a naval base in Aden, while Oman

battled a Marxist insurgency backed by South Yemen and the USSR (1965).

Kuwait, independent since 1961, faced territorial disputes with Iraq until British intervention forced Iraq's withdrawal. Iraq formally recognized Kuwait following Abdul Karim Qasim's ousting in 1963 (Fathallah, 2023). In 1965, Sharjah's ruler, Saqr bin Sultan Al Qasimi, was deposed in a British-backed coup due to his ties with Nasser (Ghafoor, 2022).

Britain's economic difficulties led to its 1968 withdrawal, triggering disputes over Bahrain and strategic islands near the Strait of Hormuz. The Shah of Iran was highly concerned about the modalities of Britain's exit, as there were issues to be settled particularly regarding Bahrain, which prompted diplomatic negotiations (*ibid*). Declassified British documents reveal that on November 30, 1971, UAE's founding leaders, Sheikh Zayed and Sheikh Rashid, accepted Iran's sovereignty over the islands, with Sharjah securing joint administration of Abu Musa. By December 1971, Britain's presence in the Persian Gulf officially ended (*ibid*).

Post-withdrawal, the U.S. introduced the 'Twin Pillars Doctrine' (Henry Kissinger), designating Iran and Saudi Arabia as primary guarantors of Persian Gulf security. This policy aimed to enhance their military capabilities to counter Soviet influence (Document 91, 1970, revealed in 2006).

An Analysis of the UAE's Reaction to Key Geopolitical Events in the 1970s

The 1970s was a pivotal decade for the Persian Gulf, marked by geopolitical events that reshaped regional power dynamics. Major developments included Nasser's death (1970), the Yom Kippur War (1973), the Arab oil embargo (1973–1974), King Faisal's assassination (1975), the Camp David Accords (1978), and the Iranian Revolution (1979). The newly

formed UAE navigated diplomatic and security challenges while solidifying its role.

Nasser's death in 1970 weakened pan-Arab unity, leading UAE leader Sheikh Zayed bin Sultan Al Nahyan to prioritize economic growth and diplomacy over ideological confrontation. This shift strengthened UAE's Western ties and reinforced stability (Sharp Jeremy M., 2024; Gause, 2010). During the 1973 Yom Kippur War, the UAE supported Arab solidarity but avoided direct military involvement. Rising oil prices spurred economic growth and reinforced Persian Gulf cooperation (Davidson, 2009; Terrill, 2009).

The 1973–1974 Arab oil embargo pressured Western nations supporting Israel. While UAE benefited economically, it had to navigate strained Western relations carefully (Ulrichsen, 2016). In 1975, King Faisal's assassination destabilized the region, prompting the UAE to reaffirm Saudi support, strengthening bilateral ties and Persian Gulf unity (Jeremy M. Sharp, 2024; Gause, 2010).

The 1978 Camp David Accords divided Arab states, with UAE opposing them while balancing relations with Cairo (Davidson, 2009; Terrill, 2009). The 1979 Iranian Revolution introduced Persian Gulf uncertainties, leading the UAE to reinforce security cooperation and Western alliances. These concerns contributed to the GCC's formation in 1981, strengthening UAE's defense strategy (Bahgat, 2007; Al-Hamad, 1997).

Throughout the 1970s, the UAE pursued pragmatic diplomacy, economic growth, and strategic alliances, reinforcing Persian Gulf unity and countering what they called "Iranian threats". These efforts laid the foundation for its expanding geopolitical role in the following decades.

Strategic Analysis: UAE in Persian Gulf Geopolitics During the 1980s

The 1980s were pivotal for UAE foreign policy as it navigated regional conflicts, ideological shifts, and alliances. Key challenges included the Iran–Iraq War (1980–1988), the aftermath of the 1979 Iranian Revolution, the 1981 formation of the Gulf Cooperation Council (GCC), the Tanker War, and the rise of political Islam. The UAE prioritized security, economic stability, and alignment with Western and Arab allies to maintain its strategic regional role (Gause, 2010; Hiro, 1990).

UAE and the Iran–Iraq War (1980–1988)

During the Iran–Iraq War, the UAE supported Iraq politically and financially but remained cautious, fearing Iran’s revolutionary influence on Shi’a communities (Gause, 2010). To counter Iran, it provided economic aid and military coordination within the GCC while prioritizing regional stability (Rubin, 1989).

In the 1984–1988 Tanker War, Iran attacked Persian Gulf oil tankers, including those near UAE waters, prompting the UAE to enhance maritime security and collaborate with U.S. naval forces, marking a turning point in UAE–U.S. military ties (Hiro, 1990). Earlier, in 1981, the UAE helped establish the GCC to bolster security against Iran’s influence. It

participated in GCC military exercises, supported the Peninsula Shield Force, and strengthened defense by acquiring Western military assets (Ulrichsen, 2016; Ehteshami, 1995).

Amid concerns over Iran’s ideology, the UAE tightened control over Islamist movements, particularly Sunni factions linked to the Muslim Brotherhood. It reinforced security in Shi’a-majority areas while balancing diplomacy with Iran and promoting Arab unity (Almezaini, 2012; Ghabra, 1997). Additionally, it expanded cooperation with Western allies, especially the U.S. and France, aligning closely with Western military strategies to counter threats to Persian Gulf oil infrastructure. The UAE supported U.S. naval build-up efforts and permitted Western vessels to dock in UAE ports, reinforcing security guarantees into the 1990s (Cordesman, 1984).

The UAE’s foreign policy in the 1980s centered on security, economic stability, and diplomacy. By countering Iranian influence, reinforcing Arab unity through the GCC, and strengthening U.S. partnerships, the UAE secured its role in shaping Persian Gulf security, paving the way for greater geopolitical influence in later decades.

Domain	Strategic Actions	Goals
Iran–Iraq War	Supported Iraq politically and economically	Curb Iranian influence
GCC Formation	Founding member, joint defense initiatives	Strengthen Persian Gulf Arab solidarity
U.S./Western Ties	Supported U.S. naval presence, arms purchases	Security guarantees
Internal Security	Monitored Islamist movements, restricted Iranian soft power	Regime stability

Domain	Strategic Actions	Goals
Diplomacy	Maintained cautious relations with Iran, aligned with Arab bloc	Avoid direct confrontation

The UAE's strategic approach during the 1980s demonstrated a careful balance between regional alliances, economic pragmatism, and security interests. By strengthening its defense partnerships, aligning with GCC and Western allies, and reinforcing internal political stability, the UAE successfully navigated a volatile geopolitical landscape. The policies implemented during this decade laid the groundwork for the UAE's growing influence in Persian Gulf affairs, setting the stage for its expanding regional and international role in the following decades.

Strategic Analysis: UAE in Persian Gulf Geopolitics during the 1990s

Contextual Overview

The 1990s saw major geopolitical shifts in the Persian Gulf, including the Gulf War (1990–1991), Soviet collapse (1991), U.S. unipolar dominance, and Iran's post-war recovery. The UAE focused on security, economic diversification, and aligning with Western allies, particularly the U.S. (Gause, 2010; Cordesman, 1994).

During the Persian Gulf War (1990–1991), Iraq's invasion of Kuwait threatened regional security, prompting the UAE to join the U.S.-led coalition. It provided financial and military assistance while hosting coalition forces, reinforcing stability. The UAE also supported U.N. sanctions against Saddam Hussein, strengthening its Western alliances and security posture (Gause, 2010; Cordesman, 1994). The war enhanced UAE–U.S. relations,

positioning the UAE as a key Persian Gulf security partner (Katzman, 2007).

After the war, the UAE expanded military cooperation with the U.S., signing a Defense Cooperation Agreement in 1994, allowing U.S. forces access to Emirati bases for regional security coordination. The UAE modernized its armed forces, acquiring advanced U.S. weaponry (Roberts, 2020; Katzman, 2007). However, UAE continued its tensions with Iran over Abu Musa, Greater Tunb, and Lesser Tunb. The UAE protested Iran's sovereignty over the islands via diplomatic channels while balancing commercial ties and U.S. military partnerships (Potter & Sick, 2002; Roberto, 2011).

Throughout the 1990s, the UAE helped shape GCC security strategies, promoting joint military cooperation and a Persian Gulf-wide defense force, reinforcing stability (Ulrichsen, 2010; Gause, 2010). Economically, it pursued diversification, with Dubai emerging as a major financial hub and expanding trade across West Asia, enhancing its soft-power influence (Davidson, 2009; Hanieh, 2011).

By the late 1990s, the UAE had bolstered its military alliances and economic presence, but challenges remained. Balancing relations with Iran and the U.S. was critical, alongside concerns over reliance on foreign security protection. Iraq sanctions and sectarian tensions also shaped its foreign policy. Nonetheless, its pragmatic approach laid the foundation for a more assertive geopolitical role in the 2000s (Gause, 2010).

UAE's Geopolitical Involvement in the Persian Gulf and West Asia (2000s)

Contextual Overview

The 2000s saw evolving security threats, alliances, and economic changes. The UAE shifted from cautious diplomacy to proactive engagement, responding to key developments like 9/11, the War on Terror, and Iran's nuclear escalation. Sectarian tensions and non-state actors like Hezbollah and al-Qaeda also shaped its foreign policy (Katzman, 2007; Gause, 2010).

After the September 11, 2001, attacks, the UAE strengthened its alliance with the U.S., prioritizing counterterrorism cooperation. In 2002, it signed a Defense Cooperation Agreement, enhancing intelligence-sharing and military collaboration. The UAE also hosted coalition forces at Al Dhafra Air Base, reinforcing its strategic partnership (Katzman, 2007; Gause, 2010).

During the Iraq War (2003–2008), the UAE provided logistical support and humanitarian aid. In 2008, it reopened its Baghdad embassy, signaling commitment to Iraq's reconstruction while countering Iranian influence (Ulrichsen, 2011; Terrill, 2009). Meanwhile, concerns over Iran's nuclear program led the UAE to support international sanctions while maintaining trade via Dubai. In 2009, the UAE launched the Barakah nuclear project to diversify energy resources (Bahgat, 2009; International Crisis Group, 2006).

Military modernization accelerated, with investments in F-16 jets, THAAD missile systems, and naval assets. The UAE supported counter-radicalization initiatives while gradually reducing reliance on external security providers (Davidson, 2005; Wehrey et al., 2009). Economically, it expanded its presence across West Asia, strengthening Dubai as a financial hub and contributing to Lebanon's post-war

reconstruction (Hanieh, 2011; Davidson, 2008).

Between 2005 and 2008, the UAE engaged in Lebanese diplomacy, backing Sunni leaders and the Palestinian Authority while opposing Iran-backed factions like Hezbollah. Its regional strategy aimed to curb Tehran's influence, positioning the UAE as a key Persian Gulf actor (Gause, 2014; Rabi, 2012). By the late 2000s, the UAE had emerged as a Persian Gulf power, balancing military expansion, economic growth, and U.S. security cooperation, reinforcing its global influence.

UAE's Geopolitical Involvement in the 2010s

Shift to Hard Power and Regional Strategy

The 2010s saw the UAE transition from soft power diplomacy to military intervention, responding to the Arab Spring, great-power competition, and regional rivalries. Key priorities included counter-Islamism, economic expansion, Iran containment, alignment with Israel, and competition with Turkey and Qatar (Ulrichsen, 2017).

During the Arab Spring, the UAE opposed Islamist movements, backing authoritarian regimes in Egypt, Libya, and Yemen to counter political Islam. It provided \$3 billion to General Abdel Fattah el-Sisi following Egypt's 2013 coup and supported Khalifa Haftar's forces in Libya against Islamist militias backed by Turkey and Qatar. Strengthening ties with Saudi Arabia and Egypt, the UAE advanced its anti-Islamist strategy, prioritizing authoritarian stability (Ulrichsen, 2017).

Between 2015 and 2019, the UAE played a major role in Yemen's Saudi-led coalition intervention, deploying troops, securing ports, and later backing proxy militias like the Southern Transitional Council (STC). This aimed to counter Iran-backed Houthis and

protect trade routes but also contributed to Yemen's prolonged instability (Reiner, 2024; Tielemans, 2024). From 2014 to 2017, the UAE participated in counterterrorism efforts against ISIS in Syria and Iraq, supporting U.S.-led operations while limiting Iran-backed Shia militias' influence. It cautiously engaged in Syria's reconstruction and covert regime-change efforts (Lister, 2015; Al-Kasimi, 2021).

Balancing containment and diplomacy, the UAE supported U.S. sanctions against Iran while maintaining economic ties through Dubai (Katzman, 2021; Azodi, 2020). It also led the 2017–2021 GCC blockade against Qatar, accusing it of Islamist ties and close relations with Iran. This embargo disrupted trade and intensified media rivalry between Al Arabiya and Al Jazeera until its resolution in 2021 (Ulrichsen, 2020; Kamrava, 2015).

In 2020, the UAE normalized relations with Israel via the Abraham Accords, reshaping its regional diplomacy. The accords boosted trade, technology, and military cooperation, making the UAE and Israel strategic partners against Iran and Turkey. UAE access to Israeli defense technologies strengthened its security and intelligence capabilities (Vakil, 2023; Rahman, 2023). By the late 2010s, the UAE had become a militarily proactive and diplomatically agile power, expanding influence while managing intervention-related reputational risks. Its assertive foreign policy reinforced its status as a post-oil Persian Gulf leader (Roberts, 2020).

UAE's Geopolitical Involvement in the 2020s

Shift Towards Economic and Diplomatic Strategy

The UAE has moved from interventionism to a nuanced approach, prioritizing economic diversification, technological advancement, and

multipolar diplomacy. It seeks to balance ties with Western allies while engaging emerging global players (Mahjoub, 2025).

The UAE has become a leader in artificial intelligence (AI), securing U.S. partnerships for AI chip imports while managing China's growing influence. Abu Dhabi is investing in advanced infrastructure to strengthen its position as a regional AI hub (Alen, 2025; Dzulhisham, 2025).

Diplomatically, the UAE follows a multipolar strategy, normalizing relations with Iran, Turkey, and Qatar while deepening ties with China. Its exit from the U.S.-led Combined Maritime Forces reflects its pursuit of strategic autonomy (Samaan, 2021; Barrington, 2023). The UAE has also boosted economic integration through the UAE–Israel Land Corridor and participation in the I2U2 Group, advancing cooperation in trade, energy, and food security (Ganot, 2024; World Bank Report, 2010).

Energy diplomacy remains central to UAE's global influence. As a major OPEC+ player, it shapes oil strategies while expanding renewable energy investments through Masdar. Collaboration with Israel on sustainable energy highlights its commitment to diversification (Vakulenko, 2024; Griffiths, 2018). The UAE's defense modernization strategy includes significant arms procurement and military partnerships with France and China, reinforcing national security and deterrence capabilities (Mitchell, 2025; Transparency International, 2020).

By the 2020s, the UAE has firmly established itself as a regional and global power, leveraging diplomacy, economic strength, and military advancements. However, its evolving geopolitical strategy raises questions about long-term stability, governance, and balancing interests in a multipolar world (Mahjoub, 2025).

UAE's Political Economy and Its Geopolitical Impact

The UAE's hybrid political economy blends authoritarian rule, state capitalism, and global market integration. Abu Dhabi centralizes wealth through sovereign wealth funds (SWFs), including ADIA, Mubadala, and ADQ, which collectively manage over \$1.5 trillion. These funds are strategically invested in infrastructure, AI, logistics, and defense, strengthening geopolitical influence across Egypt, Sudan, Syria, and Iraq. Mubadala's aerospace and defense partnerships further reinforce UAE's military-industrial capabilities (Coutte, 2021; Ward, 2022; Nowacki, 2018).

Economic diversification is central to Vision 2030, promoting digital transformation, green energy via Masdar, and enhanced logistics through DP World, reducing oil dependency (Al Olama, 2024). Dubai plays a pivotal role

in trade with Iran, India, and East Africa, maintaining economic pragmatism despite Abu Dhabi-Tehran tensions. This dual-track policy allows the UAE to mediate in disputes, including India-Pakistan and Ethiopia-Eritrea conflicts (Page, 2020).

The UAE's political economy intersects with military strategy through privatized security assets like Edge Group, expanding influence in Yemen, Libya, and the Horn of Africa. In Libya, Abu Dhabi backs Khalifa Haftar to counter Turkish influence, while in Yemen, it supports the Southern Transitional Council (STC), using port diplomacy to secure Red Sea trade routes. However, interventionist policies faced setbacks, particularly in Sudan, where ties were severed in 2025 amid accusations of UAE backing for RSF forces in the civil war—claims Abu Dhabi denied, citing humanitarian motives (Ardemagni, 2021; Chibelushi, 2025).

UAE's Economic Influence across the Region

Region	UAE Influence	Impact
Persian Gulf	Investments in Bahrain, Oman; hedging via Dubai	Strengthens leverage and security ties
Yemen	Militia funding, port control	Secures Red Sea trade routes
Levant	Support for Syria's reintegration, Lebanon aid	Counters Turkish-Qatari influence
Iraq	Energy, real estate investment	Balances Iranian dominance
Horn of Africa	Bases, ports, Sudan aid	Expands Red Sea foothold
Israel/Palestine	Abraham Accords, Israeli tech investment	Strengthens U.S. ties and regional influence

Contradictions and Challenges

- Dubai's globalization vs. Abu Dhabi's security focus
- Yemen war harming UAE's soft power image
- Economic vulnerabilities: oil price fluctuations, U.S. policy shifts, and shipping chokepoints

Strategic Implications

The UAE leverages state wealth for global influence, balancing multipolar partnerships with economic and security priorities. Its interventionism solidifies its geopolitical stature but invites scrutiny over authoritarian alliances and military engagements.

UAE's Political Economy and Geopolitical Objectives toward Iran

Balancing Conflict and Economic Interdependence

The UAE's hybrid political economy—combining oil wealth, trade liberalization, and global financial integration—shapes its complex relationship with Iran. It pursues a dual approach: containing Iran's regional influence while maintaining economic engagement, particularly through Dubai's trade links (Ward, 2022).

UAE's Geopolitical Objectives toward Iran

Objective	Tools	Economic Link
Containment of Iranian influence	U.S./Israel security alliances, support in Yemen, maritime security	Limits direct strategic investment, arms control advocacy
Protection of trade and energy flows	Naval security, Persian Gulf partnerships	Relies on Iran to prevent escalation
Regional autonomy and leadership	Diplomacy, AI engagement, Israel normalization	Counters Iranian hard power via economic tools
Strategic flexibility and hedging	Quiet diplomacy, multilateral dialogue	Maintains trade despite tensions

Balancing Conflict and Economic Interdependence

- **Economic Restraint on Escalation:** Dubai-Iran trade reached \$16.2B in 2024 despite tensions; UAE pursued diplomatic de-escalation post-2019

Key Pillars of UAE's Political Economy

- **Diversified Economy:** Over 70% of UAE's GDP is non-oil-based by 2023. Dubai serves as Iran's trade conduit, leveraging assets like Jebel Ali Port and DP World (Page, 2020).
- **Sovereign Wealth Funds:** SWFs (ADIA, Mubadala, ADQ) manage \$1.5 trillion, investing in energy, AI, and logistics (Ward, 2022).
- **Free Zones:** DIFC and JAFZA facilitate Iranian expatriate businesses, ensuring trade despite geopolitical strains.
- **Strategic Partnerships:** UAE balances U.S. defense ties, Chinese infrastructure investment, and Indian economic cooperation while quietly engaging Iran.

tanker attacks (TradingEconomics.com).

- **Containment Strategies:** UAE supports U.S.-led security coalitions and the Abraham Accords but avoids full-scale confrontation, favoring

investment-driven diplomacy (Siddiqui, 2021).

- **Sanctions Evasion & Trade Facilitation:** UAE free zones enable Iranian traders to bypass sanctions, though U.S. pressure has tightened financial regulations selectively.

Strategic Implications

Opportunities:

- Trade reduces conflict risks.
- China-backed Persian Gulf-Iran dialogue offers common ground.
- UAE is well-positioned for Iran's post-sanctions economic recovery.

Challenges:

- UAE-Israel ties strain relations with Iran.
- U.S. pressure to restrict Iranian-linked financial flows.
- Chabahar vs. Jebel Ali competition for Indian Ocean trade.

The UAE's political economy enables strategic containment while maintaining pragmatic engagement with Iran. Its dual-track policy hedges against volatility, balancing economic stability with geopolitical tensions. Future rivalries—particularly post-Israel normalization—may challenge this equilibrium.

15-Conclusion: *The Geopolitics of Proximity—Balancing Conflict, Economic Interdependence, and Non-State Actors in Iran-UAE Relations*

Iran-UAE geopolitics is shaped by strategic rivalry, economic interdependence, private-sector influence, and non-state actors, deeply tied to history, geography, and necessity. Though often on opposing sides of regional conflicts—particularly in Yemen, Syria, and

Persian Gulf security—economic ties, geographic proximity, and shared maritime interests demand cautious engagement, especially amid shifting global alignments.

Despite diplomatic tensions, Iran and the UAE have avoided direct military confrontation, with economic interdependence fostering mutual interests. Trade, logistics, and Dubai's Iranian business community act as stabilizing factors, while UAE-based companies in finance, real estate, and logistics sustain engagement.

Beyond state actors, non-state entities complicate relations. The UAE remains wary of Iran-linked militias in Yemen, Iraq, and Hezbollah, while Iran sees UAE-backed security firms and investment-linked actors as regional counterweights. These groups heighten uncertainty in bilateral relations.

Future Iran-UAE dynamics will be influenced by competing forces in economic, security, private-sector, and non-state arenas, shaping engagement and strategic positioning in an evolving regional landscape.

Scenario 1: *Strategic Pragmatism and Economic Expansion*

In this optimistic trajectory, both states deepen diplomatic and economic ties, driven by regional fatigue with conflict, economic diversification goals (e.g., UAE's Vision 2030, Iran's post-sanctions recovery), and external mediation (e.g., China or Russia). Iran's reintegration into global markets opens opportunities for UAE investment in energy, transit, ports, and digital infrastructure, with private-sector firms expanding commercial relations. Additionally, non-state actors tied to economic interests, such as business alliances and trade

networks, play a role in stabilizing engagement rather than fueling conflict.

- **Implication:** Economic cooperation becomes a pillar of regional stability, transforming the Persian Gulf into a shared economic space rather than a contested geopolitical zone.

Scenario 2: *Managed Competition*

The current dual-track approach persists, with security tensions and strategic rivalry continuing, especially in third-party arenas like Iraq, Lebanon, and Syria, while remaining compartmentalized from economic cooperation. Trade through Dubai, facilitated by private firms specializing in logistics and financial transactions, continues under regulatory oversight, and occasional diplomatic engagement prevents a total breakdown but does not fully resolve underlying mistrust. Meanwhile, non-state actors in Yemen, Iraq, and Lebanon continue shaping regional tensions through militia activity, resource competition, and asymmetric strategies.

- **Implication:** A sustainable but cold peace, rooted in mutual self-restraint and economic necessity—proximity without deep reconciliation.

Scenario 3: *Strategic Decoupling and Confrontation*

This scenario materializes if military confrontation in Persian Gulf escalates—for example, due to Strait of Hormuz tensions, intensified proxy conflicts, or nuclear-related developments. The UAE may prioritize its alignment with the U.S. and Israel, leading to a full curtailment of economic ties with Iran. In response, Iran may target UAE maritime and energy assets as part of an asymmetric strategy, involving non-state actors such as Houthis in Yemen and militia groups in Iraq. Private firms operating in trade and logistics would be

the first to suffer from economic restrictions, potentially weakening Dubai's status as a regional hub, while UAE-linked paramilitary forces may become more active in defensive security operations.

- **Implication:** Proximity shifts from an advantage to a liability, heightening militarization and increasing the risk of strategic miscalculation in the Persian Gulf.

Scenario 4: *Gulf Security Architecture and Regional Convergence*

In this long-term vision, Iran and the UAE actively contribute to a multilateral Persian Gulf security framework, potentially under the auspices of BRICS+, the Shanghai Cooperation Organization, or a reformed Hormuz Peace Initiative. The UAE positions itself as a neutral economic hub facilitating East-West connectivity, while Iran moves toward a development-oriented diplomatic posture. Private investment emerges as a key tool for fostering engagement, with UAE-based energy and logistics firms partnering with Iranian counterparts to build shared infrastructure projects. Meanwhile, non-state actors, including business networks, regional trade alliances, and Persian Gulf-linked commercial entities, increasingly play a stabilizing role in diplomatic efforts rather than fueling confrontation.

- **Implication:** Proximity transitions into a foundation for regional convergence, making the Persian Gulf a zone of integrated economic and security cooperation.

Final Reflection

In the geopolitics of proximity, neither rivalry nor alliance remains permanent. Geography inherently binds Iran and the UAE, forcing both states to carefully weigh the costs of confrontation against the potential benefits of

cooperation. Economic interdependence, largely maintained by private-sector influence, remains a double-edged sword—offering both a bridge for diplomacy and a battlefield for sanctions and geopolitical pressure. Meanwhile, the role of non-state actors continues to evolve, influencing economic transactions, maritime security, and asymmetric conflicts.

As regional and global dynamics continue to shift, the future of Iran-UAE relations will hinge on their ability to institutionalize engagement, respect mutual interests, and build trust across their strategically sensitive maritime frontier. Whether private-sector diplomacy and non-state actor management can de-escalate tensions or exacerbate them remains a critical strategic question for both nations.

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