

# Small states and strategic hedging: the United Arab Emirates' policy towards Iran

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## Abstract

**Purpose** – The purpose of this paper is to unveil the main changes in the UAE's policy towards Iran since its foundation in 1971. The UAE favored strategic hedging, extending its commercial and diplomatic relations with Iran, in addition to developing its military capabilities and maintaining military/security alliances with Saudi Arabia and the USA. However, the UAE started to reorient its policy towards Iran by adopting some sort of balancing strategy in the aftermath of the Arab Spring of 2011. This paper examines how and why the UAE had to change course and explores whether it would revert back to strategic hedging with Iran.

**Design/methodology/approach** – The study will be carried out based on a theoretical framework drawn from strategic hedging theory, a new structural theory in international relations, to examine the shifts in UAE policy towards Iran. Previous literature suggests that small states prefer hedging over balancing or bandwagoning. The authors also undertake a descriptive analysis and deploy a longitudinal within-case method to investigate changes in UAE policy towards Iran and identify the causal mechanisms behind these changes. That method allows investigating the impact of a particular event on a case by comparing the same case before and after that event occurred.

**Findings** – The main finding of this study is that the UAE hedging strategy towards Iran allowed maximizing the political and economic returns from the cooperation with Iran and mitigating the long-range national security risks without breaking up the consistent and beneficial ties with other regional and global powers. Hedging achieved the desired outcome, which is preventing direct military confrontation with Iran. Hard balancing, adopted by Abu Dhabi after the 2011 Arab Spring, has proved to have some negative effects, most importantly provoking Tehran. Some recent indicators suggest, though that the UAE may revert back to its long-established hedging policy towards Iran.

**Originality/value** – Strategic hedging is a new structural theory in international relation, although hedging behavior in states' foreign policies is far from new. It is new enough, thus, not have been researched sufficiently, strategic hedging still needs theorizing and comparison. This paper highlights the importance of strategic hedging as the most appropriate strategy for small states. It provides an important contribution to the application of the theory to the case of UAE policy towards Iran. The paper also assesses the conventional wisdom that small states prefer hedging over balancing in the light of the changes in the UAE foreign policy since 2011.

**Keywords** Strategic hedging, Hard balancing, Arab Spring, Soft balancing, Engagement, Role of political leadership, Political leadership, Restructuring foreign policy

**Paper type** Research paper



## Introduction

Since its foundation in 1971, the UAE pursued a strategic hedging based policy towards Iran. The UAE hedging towards Iran involved:

- Soft balancing, which mostly comprises stimulating participation in multilateral organizations, as well as developing relations with regional and major powers to thwart or undermine Iranian policies and impede its attempts to impose hegemony over the region;
- Engagement, which refers to the UAE's direct engagement of Iran at the political, economic and social levels seeking to socialize Iranian leaders into conduct that adheres to international rules and norms and to convince Tehran to behave like a normal state; and
- Hard balancing, which includes developing UAE military capabilities to discourage Iran from aggressive actions, and forming alliances with major and regional powers, most importantly the USA and Saudi Arabia, to act as counterbalances to Iranian regional influence and/or give them a stake in a stable regional order.

In doing so, the UAE, which considers Iran as its largest regional threat, extended its commercial and diplomatic relations with Tehran, as well as maintaining its own military and security alliances with Saudi Arabia and the USA. More importantly, the UAE did its best to prevent an outright falling-out or open confrontation with Iran.

However, since the outbreak of the Arab uprisings in 2011, the UAE has changed course, pursuing "hard" balancing strategy towards Iran. In addition to engaging in hard external balancing (strengthening its alliances with Saudi Arabia and the USA against Teheran), Abu Dhabi has been focusing on internal balancing, boosting its own military capabilities.

This paper attempts to explain why the UAE has restructured its policy towards Iran in the aftermath of the Arab Revolutions and explore whether it may revert back to its long-established hedging policy.

### *First-methodology*

The study is carried out on the basis of the theoretical framework provided by the strategic hedging theory to examine and assess the shifts in UAE policy towards Iran.

Strategic hedging is a new structural theory in international relation, although hedging behavior in states' foreign policies is far from new. The practice has shown that many countries, whether small, emerging or great power, have engaged in strategic hedging as a third alternative for direct confrontation or excessive dependency on stronger countries (Boon, 2016; Koga, 2017; Tessman, 2012). Nevertheless, the focus of this paper is on foreign policies of small states.

Strategic hedging is a mixed strategy of cooperation and conflict, relying on both soft and hard power tools. It is a combination of policies that, on one hand, stress engagement and integration mechanisms and, on the other, emphasize realist-style balancing. Hedging state cooperates with the powerful threatening state (PTS) to avoid threats or/and getting involved in unequal conflicts (soft balance). At the same time, elements of hard balancing are being taken against the PTS, such as engaging in alliances with the competing forces of PTS and increasing military and non-military capabilities (Gindarsah, 2019).

A key element in understanding this hybrid strategy is that hedging state is essentially trying to reduce the threats to its stability and to remain in an anarchic world. In other words, its motive here is not to obtain material gains or to change its relative status but to secure it (Salman and Geeraerts, 2015). States also resort to hedging when the relative

strength of the allies is reduced to ensuring the national security of these states, while at the same time increasing the overall capabilities of competitive forces (Tessman, 2012).

Different types of states on the power hierarchy measure have used hedging strategy as an alternative for hard balancing and bandwagoning strategies. According to Sherwood, the practices of small states in the international system usually show they lack the elements of security and influence and resort to compensate for the lack of those elements in relations with major powers. As those states cannot pursue balancing strategies because this leads to the direct provocation of the state threatened their national security, therefore, most of the scholars of international relations considered that neutrality and bandwagoning is the best option for them. However, neutrality may cost these countries the severance of relations with one of the conflict parties, which they were expected the small state support. While bandwagoning will increase state dependency on the allied one. Nevertheless, hedging is a preferable policy of small states, to compensate for the lack of the elements of security and influence in relations with major powers (Sherwood, 2016).

In fact, small states cannot afford balancing strategy, claimed by proponents as the most rational behavior in an anarchic international system, as it would lead to provoking their PTSs (Gindarsah, 2019). That is, why scholars consider strategic hedging as the “smart way” to compensate for the small size of the state, the absence or lack of rigid measures available to a small state to implement its foreign policy (Sherwood, 2016). Particularly, small states, facing major regional power, cannot pursue an offensive strategy as they lack comprehensive force capabilities, and neutrality costing the hostility with the threatening power. Despite the structural realities of power in global politics, the hedging strategy provides a clear space for a small country to use its relative power to achieve some independence for its foreign policy (Guzansky, 2015). One example of this is the policies of the South-East Asian countries, particularly Singapore, Vietnam and Thailand towards China for the development of a new regional system. Small states also resort to hedging when they aspire to maintain balanced relations with two major powers. This situation holds true for Asia Pacific states in relation to the USA and China (Medeiros, 2005-06). In sum, hedging gives small states the impetus to support their security by forging alliances, increasing military capabilities and engaging in cooperation with the threatening state, which enables them to avoid the repercussions of the security dilemma (Tessman, 2012).

Obviously, after the end of the cold war, states rarely depending only on balancing or engagement strategies in their international affairs, but most combine a mix of both in their foreign policy. However, we cannot say that this combination equates to hedging as a strategy for foreign policy, as the behavior of gathering both classic strategies, is only part of the country's largest diplomatic strategy, which can be hedging. This combination is an active attempt by a state to prevent some undesirable scenarios, on the other hand, hedging reflects contingency planning for undesired scenarios (Boon, 2016).

Hedging is distinguishable from balancing and bandwagoning. According to Evelyn Goh (2016, p. 8), hedging shall be regarded as:

[...] a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality. Instead, they cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another.

The concept of balancing was developed by the theory of balance of power. Steff and Khoo (2014, p. 227) defined balancing as “a state's strategy to favorably alter its relative power position against another state, for the pursuit of security in the structural context of international anarchy.” Hard balancing triggers a target situation by increasing defensive

and offensive capabilities (internal balancing) – through continuous construction and development of conventional and non-conventional weapons including nuclear capabilities, increasing a state's military budgets, developing defense policies, developing technology and military weapons, changing military doctrine and economic development, as well as joining military and security alliances (external balancing) (Steff and Khoo, 2014). According to the theory of balance of power, hard balancing is the most rational behavior in a competition for the leading position between the great powers, especially in anarchy system where state security is the highest end. Small states in this system tend to save their own status, thus resort to external balancing, allying with other powerful members.

*Research methods.* First, the authors undertake a descriptive analysis of the UAE policy towards Iran. Following Collier (2011, p. 824) “careful description is fundamental in all research, and causal inference [. . .] depends on it”. Second, based on longitudinal within-case analysis, this paper investigates changes in UAE policy towards Iran and tries to identify the causal mechanisms behind these changes. Following George and Bennett (2004), a longitudinal within-case analysis allows to investigate the impact of a particular event on a case by comparing the same case before and after that event (the Arab Spring of 2011) occurred. That method relies on investigating and interpreting change over time in social contexts and is concerned with collecting and analyzing data and information over time (Vicunõa, 2015). Therefore, this study uses process tracing to examine its research question. The authors assume that UAE policy towards Iran has witnessed dramatic changes in the aftermath of the outbreak of the Arab uprisings. Consequently, they trace the impact of these events on the UAE policy towards Iran. Within a single case, there are many possible processes tracing observations on the conduct of the Emirate foreign policy for more a decade[2].

#### *Second-UAE hedging policy towards Iran*

Over the first four decades of its foundation, the UAE pursued a strategic hedging approach *vis-à-vis* Iran as the most rational option to manage its relations and avoid direct confrontation with Iran.

For the UAE as a small state, with a relatively small population[1], strategic hedging was necessitated by several interconnected considerations, including its geopolitical location, power limitations, vast assets and domestic conditions. The UAE is in a highly strategic and volatile region, along the southeastern coast of the Gulf, bordering Saudi Arabia and Oman. It is separated from Iran by a narrow body of water and a crucial maritime chokepoint, the Strait of Hormuz. Being cognizant of its geography and proximity to Iran and predetermined by the objective existence of the threat to its national security posed by the former, the UAE engaged with Tehran as part of a hedging strategy to cope with that threat. In fact, The UAE has been considering Iran as its largest regional threat, there were some sources of mistrust and tension between both sides, UAE suffered bilateral tension with Tehran over the ownership of the three islands, Iran's nuclear ambitions, ballistic missile program and Iranian Shiite influence and its own attempts to agitate Shi'i political sentiment (Davidson, 2009).

Other factors contributed to determining the UAE's relationship with Iran include the social relations between the Iranian and Emirate peoples, and the presence of a large Iranian community in the UAE (Obeid, 2004).

Analyzing UAE hedging behavior *vis-à-vis* Iran, one can outline the following elements:

*Soft balancing and engagement.* The Emirati leadership cultivated relations with friends and allies within and outside the Gulf Cooperation Council (GCC). It had emphasized a soft power or “soft diplomacy” approach to foreign policy (BMI, 2015). The UAE deployed

mainly “quiet diplomacy” approach, in which the state increasingly depended on financial, including foreign aid programs and diplomatic means, in addition to a broad network of personal relations with the key policymakers all over the globe. Put differently, from its earliest days, the UAE sought to use its financial resources and the soft power of aid and development to build international friendships, promote its perspectives, defend its interests and enhance its reputation, particularly in Arab and Muslim countries (Al-Mashat, 2008; Ibish, 2017). All of these tools contributed to achieving UAE foreign policy objectives without resorting to military force.

Therefore, the UAE was officially neutral during the Iran–Iraq war (1980–1988) and worked with Oman to explore mediation opportunities in the conflict. Yet, the Iraqi invasion of Kuwait in 1990 led to “measured rapprochement to Iran” (Guzansky, 2015). At the same time, Iranian president Hashemi Rafsanjani believed in reducing regional tension for unfolding new opportunities for economic integration (Gause, 2010).

The UAE was eager to encourage the institutional means to preserve the regional order, as well as inhibiting the Iranian aggressive behavior. Therefore, it helped establish the GCC in 1981 to focus on the defense of regional security, and stability in the face of threats emanating from Iran and regional conflicts. In addition, the UAE engaged in alliances with regional rival forces to Tehran, mainly Saudi Arabia and Egypt.

All in all, the UAE favored the diplomatic approach (soft balancing) towards Tehran to avoid direct military confrontation or getting involved in unequal conflicts.

In addition, the UAE extended its commercial with Tehran. Clearly, the UAE considered maintaining open commercial ties with Iran as its main insurance policy. In fact, the UAE has a long history of trade and travel with Iran. The UAE has played a central role in Iranian foreign trade for decades, particularly Dubai, which has been a center for Iranian businesses operating offshore. Merchants from southern Iran started emigration to Dubai in the early twentieth century, fleeing from increased centralization in Tehran. Then, Iran’s middle class started flocking to Dubai, as the beginning of millennia, and especially after “Dubai ruler Sheikh Mohammad Bin Rashid decided to open up Dubai’s restricted real estate market to foreign nationals in 2003” (FRS, 2019; Sadjadpour, 2011), constituting a big community in UAE. Trade and investment ties grew during the Rafsanjani and Khatami presidencies, particularly with Dubai’s ruling Al Maktoum family, which supported de-escalation with Iran (Vakil, 2018).

Dubai preferred a business-first approach to deal with Iran (Sadjadpour, 2011). Dubai has served as the principal re-export market, particularly when sanctions have been in place. The latter has also become one of Tehran’s biggest trading partners, which peaked in 2011 to reach \$21.5bn, most of its trade with Tehran includes the simple re-exportation of goods received from other countries. As UAE–Iran trade has flourished, many organizations are established to help Iranian businesses in the UAE, among them the Iranian trade council and joint UAE–Iran trade committee. In the end, UAE comes to replace Iran’s traditional European trade partners such as Germany and Italy (Guzansky, 2015).

Direct engagement sought to construct mutual trust and encourage cooperation, thereby shaping Iran’s behavior. Particularly, economic pragmatism was the most common element in the UAE engagement policy towards Iran.

The UAE, aware of its hard power limitations, preferred to disentangle and isolate the impasse on the disputed islands (Abu Musa and the Greater and Lesser Tunbs) from other bilateral agenda items, mainly economic, with Teheran (Obeid, 2004).

*Hard balancing.* The UAE was curious to enhance its military capabilities, either by external or internal means. The UAE’s huge oil reserves, making it a tempting target to Iran, enabled its leadership to increase military spending. Abu Dhabi enhanced the country’s

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armed forces capabilities by importing from western partners, mainly the USA, France and Germany, as well as pushing for the development of internal military manufacturing by adopting several expensive upgrades. However, the UAE military strength was still weak, given the lack of qualified personnel with the necessary training to operate such sophisticated hardware (Davidson, 2009).

For example, in 2000, it purchased 80 US F-16 aircraft, it succeeded to hold the joint direct attack munitions (JDAM) kits (which convert gravity bombs to precision guided bombs), the high mobility artillery rocket systems (HIMARS) and army tactical missile systems (ATACMs) from the USA by 2008. In addition to patriot advanced capability 3 (PAC-3) missile defense system (Katzman, 2019). It has procured Leclerc's main battle tanks from France's Nexter corporation, at the same time succeeded to issue custom made UAE versions superior to the French version, having additional armor and upgraded guns for desert conditions. Purchasing the French-supplied Mirage 2000-9s missiles, British Aerospace Hawk 128s, Sikorsky Black Hawk helicopters and about 30 Apache AH64 gunships, help in enhancing its air force capabilities. At the same time, UAE try to compensate the small size of its navy by constructing new frigates and corvettes, as well as some small amphibious craft and two-person mini-submarines, in cooperation with French cooperation at Abu Dhabi's Mussafah facility (Davidson, 2009).

Although UAE armed forces has been recently established and still under development, it committed itself to purchase all of the military equipment a custom-made by joint ventures between Western arms companies and domestic ones. In addition to request for consulting the European companies over the design of some of its manufacturing, as such the UAE specific Black Shaheen cruise missiles (Davidson, 2009). In addition, between 2005 and 2009, Abu Dhabi purchased 57 per cent of the major conventional weapons imports, became at that time the fourth largest arms purchaser in the world (Mason, 2018).

The UAE has quietly built its own independent defense capabilities. Over the decades, it has methodically constructed relatively small but sophisticated military assets such as its air force, special forces and high-tech offensive and defensive weaponry (Ibish, 2017).

The Emirate leadership cultivated relations with friends and allies outside the GCC. It had also emphasized a soft power or "soft diplomacy" approach to foreign policy (BML, 2015).

The UAE engaged in alliances with rival forces to Tehran, mainly the USA and Saudi Arabia. The USA has operational bases in, and defense agreements with the UAE. In important respects, the UAE has developed into Washington's most important Gulf Arab ally, with close military and intelligence cooperation (Ibish, 2017, p. 2).

In 1994, a "Defense Cooperation agreement" was signed with the USA, to better integrate American capabilities with those of the UAE, which builds a strong alliance between the two parties (Katzman, 2018). This framework accompanied by a separate "status of forces agreement" giving US military personal existence in the UAE. Since 2000, UAE and US forces conduct joint exercises on early warning, air and missile defense, and logistics. Also, private American companies are involved in operational and training support, in as much of their rising role, some commenters assuming their involvement in intelligence gathering, nuclear installations and special operations. Indeed, the intelligence cooperation between the UAE and the USA is a vital element of cooperation, which reflects a unique level of trust between military commanders (Mason, 2018).

The UAE had sought to diversify its defense partnerships. Therefore, it joined North Atlantic Treaty Organization's "Istanbul Cooperation Initiative in 2004. It signed an agreement with France in 2008 to allow a French military presence in UAE, about 400 military French military personnel at Abu Dhabi military camp (Katzman, 2018).

*Third-from strategic hedging to balancing*

Indeed, UAE's foreign policy of hedging was central to the apparent resilience it has shown during the many crises and wars in the region since the early 1980s.

However, the UAE had to change course, adopting some sort of hard balancing towards Tehran and the region. Emirate hard balancing against Iran has involved:

- Strengthening its alliance with the USA and emphasizing the centrality of its strategic alliance with Saudi Arabia;
- Pursuing an ambitious external role;
- Reinforcing and modernizing its military capabilities; and
- Making changes in military doctrine, i.e. it has become more prepared to use its military force abroad.

There were several features for this change. The UAE has been pursuing active, more assertive and sometimes interventionist policy towards the region. The UAE, in alliance with the USA and Saudi Arabia, has made efforts to roll back Iranian influence and has repeatedly accused it of inflaming sectarian divides and sponsoring terrorism in the region. The UAE's leaders have been the most forceful in condemning Iran's "aggressive policies." The UAE sees Iran and its network of proxy forces in Yemen, Lebanon and Iraq as the primary threat in the region and have worked together to cripple its economy through sanctions and to isolate its leadership (Ibish, 2017). For example, El-Dessouki (2018, pp. 277-280) demonstrated how the Iranian-linked militias in the Middle East pose threats to GCC security, collectively and individually.

Abu Dhabi strengthened its alliances with the USA, Saudi Arabia and Egypt. Because of the Iranian expansionist regional policies, the UAE has deepened its primary strategic partnership with the USA. There are a growing US military and naval presence in UAE in *Al Dhafra* airbase and *Jebel Ali* port (Katzman, 2019). Abu Dhabi has been engaging in a "joint strategic dialogue" with Washington since 2014. It participated in the US-GCC Summit at Camp David in May 2015, which reaffirmed the US commitment to Gulf security and called for the establishment of a new strategic partnership between the two parties (Mason, 2018). In May 2019, the USA and the UAE announced the implementation of a new defense cooperation pact with a 15-year duration, which would enhance the US military stations and personal existence, joint military exercises and US training (Hernandez, 2019).

In addition, the UAE has sought to diversify its defense partnerships. In addition to increasing its military cooperation with France, it has opened new channels of military cooperation with Russia. Abu Dhabi has also concluded defense cooperation with India in 2015. It signed a "Comprehensive Strategic Partnership Agreement" in 2017 (Katzman, 2019). Concerned about diversifying its military supply, "Abu Dhabi has South African howitzers, British Aerospace hawks, Russian Sikorsky helicopters and Turkish armored personnel carriers" (Mason, 2018, p. 102).

Abu Dhabi has been focusing on internal balancing, boosting and modernizing its own military capabilities. In recent years, the UAE has pursued a comprehensive program of military modernization and development, which covers all branches of grounded naval and air forces with the latest sophisticated weapons. It has been able to build an advanced air and missile defense system, which has the most advanced American air defense systems (PAC-3). It has resorted to implementing the mandatory recruitment program since May 2014, to increase the manpower of its armed forces. The UAE seriously pursues a transformation of its defense strategy into a network-centric approach and architecture for its armed forces. As such, the UAE Armed Forces are increasingly well-positioned to

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transform into a networked force, where superior situational awareness and a secure over-the-air communication network will provide the foundations for long-range early warning, rapid response and precision targeting capabilities (Kahwaji and Khan, 2014).

The UAE made changes in its military doctrine, i.e. the country has become more willing to use force, usually in conjunction with some set of allies, to secure its vital interests. Then, it has deployed these hard power capacities hand in hand with its more traditional soft power approaches. In other words, it converted its “defense policy” to “military first.” This was evident in the Emirati role in Bahrain, Yemen, Libya and the Horn of Africa (El-Dessouki, 2017; Ibish, 2017, p. 1).

The UAE has continued to purchase modern military equipment. In 2013, it received an additional 30 F-16s and associated “standoff” air-to-ground munitions. In 2015, it got precision-guided munitions (Guided Bomb Units – GBU-31s and GBU-12s) for use against the Houthi rebels in Yemen. The UAE has even developed an Emirati defense industry (Katzman, 2019). It is investing heavily in cybersecurity, using technology to combat both cyber criminals and, at times, domestic political dissidents (Ibish, 2017, p. 32).

The UAE has pursued increased regional intervention role especially in regional conflicts, to which Iran is a party. This is, perhaps, best reflected in the intervention in Yemen that began in 2015, which is primarily led by Saudi Arabia in the north and the Emirates in the south, to defeat the Houthis and to contain the Iranian influence in the Gulf region (El-Dessouki, 2017; Mason, 2018). However, the UAE went further by acting unilaterally and supporting the separatist militias, who are controlling Southern Yemen. It also went on to establish commercial ports or naval bases around the Gulf of Aden to more broadly acquire greater strategic depth (Kirkpatrick, 2019).

In addition, the UAE has set up military bases in the horn of Africa, including in Djibouti, Eritrea and the semiautonomous regions of Puntland and Somaliland, as well as bases in Seychelles and Yemen’s Socotra Island. In addition to its wide military intervention in Yemen, UAE forces are active in Libya, Somalia and Egypt’s North Sinai. In Libya, the UAE defied a United Nations embargo to arm a would-be Libyan strongman, Khalifa Hifter. The UAE even carried out airstrikes in Tripoli and eventually established an airbase in eastern Libya. In the Horn of Africa, the UAE dispatched a force to Somalia first to combat piracy and then to fight extremists (Kirkpatrick, 2019; Ragab, 2017).

The UAE backed the GCC decision to provide military support to Bahrain during the 2011 protests that stemmed from the Arab Spring. It participated in the “Peninsula Shield Force” forces, to bolster the domestic political order, a move that revealed the deep anxieties of the Gulf leaders about their countries’ political stability in Bahrain, following widespread protests by opposition forces, who demanded the overthrow of the Al Khalifa regime and replacing it by a republican system of government. Although the Saudi-led intervention managed to put an end to the popular uprising in Bahrain, some Emirati security forces are still stationed there. In fact, Saudi, Emirati and Bahraini leadership linked the sectarian nature of the protests to Iran’s growing regional influence (Ibish, 2017). In partnership with Saudi Arabia and Qatar, the UAE supports the Syrian rebels, which seeks to overthrow the Bashar al-Assad regime. They demanded the removal of Bashar al-Assad in international forums and dedicated billions to arming the rebels. UAE policy in Syria proved to be *ad hoc*, aiming above all to disrupt Iran’s sphere of influence, which stretched from Baghdad to Beirut bypassing Damascus. Like other international actors, the UAE underestimated the resilience of the Syrian regime, which became increasingly dependent on Iran, Russia and the Lebanese Hezbollah (Al-Rasheed, 2015, p. 35).

The UAE is deeply committed to counterterrorism and counter radicalization efforts. Much of its military campaign in southern Yemen focuses on counterinsurgency operations



against Al-Qaeda in the Arabian Peninsula and other extremist groups. In fact, the UAE was an early and enthusiastic participant in the air war in Syria against the Islamic State in Syria and Iraq. The UAE takes the hardest line of any Arab Government, with the possible exception of Egypt, against Islamists in general, seeing them all as part of a continuum of radicalism. It does not conflate the Muslim Brotherhood with al-Qaeda and Islamic State of Iraq and the Levant or pro-Iranian Shia militias, but it does regard them all as different iterations of extremism to be categorically opposed (Ibish, 2017, p. 21; Mason, 2018).

In Egypt, the UAE worked against the transition to democracy and backed a military takeover in 2013 that removed an elected president who was a Muslim Brotherhood leader. In general, Abu Dhabi backs the likes of President Sisi in Egypt (Roberts, 2015, p. 28).

In 2017, the UAE, along with three other GCC countries and Egypt cut off all trade, diplomatic and even social ties with Qatar to pressure it into abandoning support for the Muslim Brotherhood (El-Dessouki, 2017).

While the UAE did not officially cut diplomatic ties with Iran after the 2016 storming of the Saudi embassy in Tehran, its position is being closely aligned with that of Saudi Arabia and Bahrain. This shift has come at the expense of Dubai's economic interests, which have suffered as Iran increases its banking and trading ties with Oman and Qatar. Prior to the imposition of US sanctions on Iran in 2018, the UAE closely cooperated with the Trump administration to curtail Iranian currency trading and money laundering in Dubai (Vakil, 2018).

The UAE has publicly supported the withdrawal of the USA from the joint comprehensive plan of action and has been cooperating to constrain Iran financially by closing money transfers and sanctioning companies operating out of the emirates (Vakil, 2018). It is even said that canceling the nuclear deal with Iran is a sign of the UAE's influence in Washington.

Abu Dhabi exerted great efforts since 2011 to prevent the re-export of advanced technology to Tehran, as Emirati firms faced the US sanction and sometimes criticism of American officials at different occasion, for their involvement in selling military-related technology to Iran. In fact, the geographical proximity has made many Iranian entities involved in Iran's weapons to open several offices in Dubai. As a result, UAE authorities shut down 40 UAE and foreign entities involved in dual-use exports to Iran in 2012 and impounded shipments destined Tehran that included items could be used in its nuclear program (Katzman, 2018).

#### *What explains the shift in UAE policy towards Iran?*

To be sure, the UAE's growing regional activism and interventionism has been driven by Abu Dhabi's *de facto* ruler, Crown Prince Muhammad bin Zayed (MBZ). However, two other structural factors, including domestic restructuring and external shock complement the explanation for that shift in tone and action of UAE policy towards Iran.

President Khalifah al Nahyan gradually disappeared from the political scene because of several reasons, most important his poor health conditions, and MBZ has taken over as *de facto* ruler of the UAE. According to Young (2015, p. 11), change in leadership in itself may explain why the UAE has become more aggressive in its foreign policy. MBZ is widely regarded as one of the most influential Arab leaders across the Middle East (Kirkpatrick, 2019). MBZ owes his power in large part to his partnership with the USA. His influence in Washington is legendary. Under the Trump administration, MBZ's influence in Washington appears greater than ever. In fact, President Trump has repeatedly adopted positions favored by MBZ over the reservations of cabinet members and career national security officials on subjects including Iran, Qatar, Libya, Saudi Arabia and the Muslim Brotherhood. Other assets that enable him to wield influence on UAE foreign policy and around much of the Middle East include his control on the UAE military on his capacity as

the *de facto* commander of chief and his personal style, which is part of his appeal. In addition, MBZ controls sovereign wealth funds worth \$1.3tn, more than any other country (El-Dessouki, 2017; Kirkpatrick, 2019). MBZ is obsessed with two enemies, Iran and the Muslim Brotherhood. (Kirkpatrick, 2019). He believed that balancing Iran is the most appropriate tool in dealing with its expansionist regional policies, especially after accelerated events in the Middle East following the Arab Spring.

At the domestic level, the distribution of power in the UAE federation shifted towards more centralization and dominance of Abu Dhabi. In other words, the UAE is institutionalizing towards the center (Young, 2015, pp. 10-12).

This trend started to appear after 2009, which marked the date Abu Dhabi's bailout of heavily indebted Dubai from the 2008 global economic crisis, as Dubai stop rivaling Abu Dhabi for a leadership position in the UAE. Differences in policy between the two emirates gradually shifted following Abu Dhabi's bailout of Dubai in 2009. It is widely believed that the unstated price of this financial assistance was the acceptance of Abu Dhabi's regional policy, which favored hard balancing and hawkish posture towards Iran (Vakil, 2018).

At the external level, the Arab Spring swept North Africa then move to the GCC region mainly in Bahrain and Yemen (Mason, 2018). In the increasing chaos of the Arab Spring, the UAE (and Saudi Arabia of course) sought to impose order by intervening in the Arab Spring states to support the status-quo. There were serious fears that unrest could spread to the UAE. The rationale for intervention is focused on preserving domestic stability and economic growth in a turbulent region (Young, 2015, p. 10). The changing regional environment caused by the Arab Spring prompted a deliberate shift in UAE policy to counter the uprisings that swept the region. The UAE has worked to thwart democratic transitions in the Middle East, helped install a reliable autocrat in Egypt and Libya (Kirkpatrick, 2019).

#### *Fourth-back to hedging strategy?*

The new balancing strategy of the UAE offered opportunities to maximize its interests. However, the change of the dynamics in the region in the post Arab Spring impeded Abu Dhabi's aspiration.

Apart from the security crisis that the UAE has to deal with in Yemen and elsewhere in the region, its credibility as a potential regional player in bringing about a new regional order in the Middle East has proven to be in a downturn. More important, the Emirati leadership may conclude that its ability to influence the interests and policies of regional and international actors is already limited and is counter affected to such a state of provoking Iran. For this reason, there is a possibility that the future shape of the UAE's relation with Iran will be changed. This is evidence that hedging as a strategy is the most appropriate option for small states in a world multipolar system.

Put differently, the limitation of opportunity to expand UAE's influence in the Middle East and the fear of provoking Teheran will possibly force UAE back to the hedging policy. In other words, there are some indicators suggest that the UAE may revert back to its long-established hedging policy towards Iran[3].

In December 2018, the UAE restored its diplomatic relations with Syria. Also, the trade between the two countries reached \$19bn in the same year (Reuters, 2018). In May and June 2019, several commercial ships in the Persian Gulf were hit by sabotage attacks, however, Abu Dhabi has not blamed Iran for the incidents (England and Kerr, 2019). These two incidents thought to be carried out by Iran, and the increasing Houthi threats to Abu Dhabi may have increased the fear of provoking Teheran. This may explain that shortly after the second incident, UAE officials conducted a rare visit to Iran to discuss maritime security in the gulf with their counterparts (DeLozier, 2019).

In July 2019, UAE decided to withdraw the bulk of its troops in Yemen, highlighting Emirati leader's concern for shifting its "military first" strategy to a more diplomatic approach (Harab, 2019). The drawdown has been occurring quietly for months, it seems that the Stockholm Agreement, signed in December 2018, triggered the withdrawal decision, as it shifted the focus into negotiated solution instead of the military one (DeLozier, 2019). Other commenters suggest that the pullbacks highlight UAE concerns for its international standing amid mounting criticism of the civilian toll of the war, as it is trying to maintain its status as a preferred country of residence and foreign investment (Dorsey, 2019). One former US diplomat suggested that the drawdown is "reluctant but stonily pragmatic recognition that they cannot sustain – militarily, financially and most important politically – any longer at the current state of bloody impasse" (DeLozier, 2019). Although Abu Dhabi succeeded in its overall mission in protecting its own interest in south Yamen, it was obvious that it could not continue militarization of its policies. As it has limited military capabilities, the evidence here in hiring foreign soldiers to handle manpower shortage, thus raised cost, resulting in increasing internal burdens. Moreover, the use of mercenaries raises problems of protecting civilians, Amnesty International blamed the coalition for the deterioration of the humanitarian situation in Yemen (Ragab, 2017) (Figure 1).

**Conclusion**

The main finding of this study is that the UAE hedging strategy towards Iran allows maximizing the political and economic returns from the cooperation with Iran and mitigating the long-range national security risks without breaking up the consistent and beneficial ties with other regional and global powers. More important, hedging achieved the desired outcome, which is preventing direct military confrontation with Iran. However, hard balancing proved to have some negative effects, most importantly provoking Tehran.

Since its foundation in 1971, the UAE pursued hedging policy towards Iran, with the aim of preventing an outright falling-out or open confrontation with the latter and safeguarding Emirate independence. The UAE favored the diplomatic approach (soft balancing) and business-first approach towards Tehran to avoid threats or getting involved in unequal conflicts. For decades, the hedging strategy proved successful in mollifying Abu Dhabi's trepidations over Iran's regional policy and preserving its national security. In the aftermath of the Arab Spring, Abu Dhabi has changed course by engaging in a more active, assertive and "harder" foreign policy in the region.

There are some signals, albeit mixed that refer to UAE will return to its favorite hedging strategy. In response to attacks on commercial tankers near the Strait of Hormuz (June 2019), the USA squarely blamed Iran, but the UAE has refrained from publicly saying Iran is the

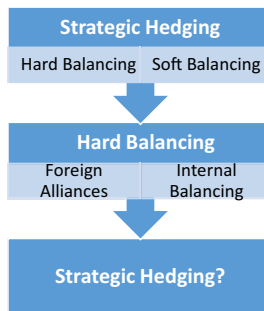


Figure 1.

culprit and instead has called for dialogue and restraint. In July 2019, the UAE has drawn down the number of its troops in Yemen but has not withdrawn from the country and remains a key member of the Saudi-led coalition at war there. According to UAE officials, this is moving from a “military-first” strategy to a “peace-first” plan. It has been leaked that Emirate officials met with their Iranian counterparts before taking that decision. Some scholars explain the Emirati decision in the light of the escalating crisis in the region between the USA and Iran and UAE clear concern about the USA resolve. It was evident that Emirati officials, who are looking to the USA to be more forceful in deterring Iran, are more careful about provoking it (Ibishi, 2017).

In fact, there are several reasons that have come together to form the Emirati decision to partially drawdown from Yemen, however, this decision, with the change in the tone used by the UAE authorities, suggests that hedging is back to the strategic choices available, representing the best way to deal with Tehran.

### *Implications for future research*

As the UAE case with hedging demonstrated, the impact of strategic hedging is promising. After all, hedging provides a geopolitical insurance strategy of sorts. Yet, such hedging is fraught with complications and dangers that could precipitate a shift towards rivalry and regional instability. Under which conditions, hedging could be inherently unstable and demands constant nurturing to be effective and sustainable. This problem needs theorizing and comparison.

Hedging behavior seeks, first, to preserve national security of hedging states, but it requires more military build-up, which might lead to a security dilemma. How could hedging states avoid such a situation?

The existing literature addressing the strategic hedging approach implementation lacks the reference to the idea of a national role conception. This indicates the need for further research with a fresh insight into the topic of study.

### Notes

1. One of the authors has worked as a researcher and educator in the UAE for about nine years, and the other one has been residing in the country since 2016.
2. The UAE is estimated to have nine million residents but fewer than a million citizens; the rest are foreign workers.
3. Of course, one can outline other indicators suggest the opposite. For one thing, the UAE has been complying more stringently with US sanctions imposed on Iran in 2018. Second, the number of Iranians living in the UAE has fallen from 117,000 three years ago to 73,000. Third, small Iranian businessmen and individuals often complain of suspension or closing of their bank accounts and refusal to renew their visas. Therefore, many Iranian companies choose to trade via Turkey, Oman and Malaysia instead of the UAE (England and Kerr, 2019).

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