



## The UAE: An Emerging Middle Power in the Indian Ocean?

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*Over the past decade, the UAE has been projecting its power across the Indian Ocean region in economic, military and diplomatic terms. Today, it plays a major role in the power dynamics of the Horn of Africa, while investing in the economies of small island-states in the region and nurturing close ties with India, Pakistan and China all at the same time. But the emergence of the UAE as a middle power in the Indian Ocean region, and specifically its strategy of close ties with both the United States and China, begs the question of Abu Dhabi's ability to follow its own path in the region without getting trapped in the ongoing great power competition.*

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*Cover photo: Emirati armed forces show their skills during a military show at the opening of the International Defence Exhibition and Conference (IDEX) in Abu Dhabi on 19 February 2017. Karim Sabih/AFP.*

# The UAE: An Emerging Middle Power in the Indian Ocean?<sup>1</sup>

Jean-Loup Samaan\*

**A**lthough Emirati officials have so far refrained from publicly expressing strategic ambitions for their country in the Indian Ocean region (IOR), several interrelated developments in the past decade reflect the growing footprint of the Gulf state beyond the Strait of Hormuz. The UAE, and more specifically Abu Dhabi and Dubai, have projected their power — whether economic, military or diplomatic — towards both the eastern and western sides of the IOR. The Emiratis are indeed playing a major role in the power dynamics of the Horn of Africa, investing significantly in the economies of small island-states like Seychelles, while nurturing close ties with India, Pakistan and China all at the same time.

The emergence of the UAE as a middle power in the IOR is remarkable, considering its size in geographical and demographic terms. But this paradox inevitably begs questions such as the sustainability of the UAE's nascent grand strategy and the ability of a country traditionally aligned with Western countries — namely the United States,

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the United Kingdom and France — to emerge in the IOR without getting trapped in the ongoing great power competition.

## The IOR in the Emirati Economy

The IOR has been at the core of the Emirati economic and social fabric since even before the creation of the federation in 1971. One of the main reasons for this relates to the migrant flows from both Africa and the South Asian subcontinent. If at the dawn of the 20th century, Dubai was a trading post for Indian merchants who focused then on the business of pearls, it was with the oil boom of the 1960s and the 1970s that the number of migrants grew in earnest.<sup>2</sup> Today, it is estimated that about 3 million Indian and 1.3 million Pakistani residents live in the country, representing the two biggest communities.<sup>3</sup>

If the migrant communities from the littoral states of the IOR represented a significant contributor to the UAE's economic development, that contribution is now combined with the “Asianisation” of the national economy as energy markets shift away from the OECD countries towards Asia. The rapid economic growth of countries like China, India, Japan and South Korea saw their energy demands growing in tandem and Gulf oil producers becoming their natural partners.<sup>4</sup> Approximately 35% of the world's seaborne oil passes through the Strait

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<sup>2</sup> Fatma Al-Sayegh, “Merchants’ Role in a Changing Society: The Case of Dubai, 1900-90”, *Middle Eastern Studies* 34, No. 1 (January 1998): 87-102.

<sup>3</sup> Phillip Connor, “India is a top source and destination for world's migrants”, Pew Research Center, 3 March 2017.

<sup>4</sup> International Energy Agency, *World Energy Outlook 2018*, Executive Summary, p. 2, <https://webstore.ica.org/download/summary/190?fileName=English-WEO-2018-ES.pdf>.

of Hormuz and more than 85% of this flow goes to Asia.<sup>5</sup> In 2019, 93% of the UAE's crude oil exports travelled to Asia.<sup>6</sup> Seen from Abu Dhabi, the energy security strategies of its Asian partners matter more than those of the United States and the European countries — at least from a purely economic standpoint.

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Furthermore, Emirati ties to the Asian side of the IOR have diversified beyond energy needs. India is the UAE's biggest trade partner (constituting 10.8% of the UAE's exports in 2019) but relations have also expanded with other key countries. Japan is now the second largest destination for Emirati goods and the two countries signed several bilateral agreements in 2017, including an agreement granting Japan concession rights to Abu Dhabi oil fields.<sup>7</sup> Singapore ranked fifth among destinations for UAE exports in 2019, accounting for 4.3%.<sup>8</sup> For the city-state the UAE is the main partner in the Middle East: Singapore's SembCorp Utilities has been in charge of the construction of a hydro-

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<sup>5</sup> US Congressional Research Service, “China-India Great Power Competition in the Indian Ocean Region: Issues for Congress”, 20 April 2018.

<sup>6</sup> US Energy Information Administration, “United Arab Emirates: Overview”, <https://www.eia.gov/beta/international/analysis.cfm?iso=ARE>.

<sup>7</sup> “Adnoc strikes strategic agreements with Japan”, *The National*, 8 October 2017.

<sup>8</sup> Data taken from the Observatory of Economic Complexity, <https://oec.world/en/profile/country/are>

electrical plant for the Emirate of Fujairah while Dubai's Al Futtaim group owns several major fashion outlets in Singapore.

## “Singapore ranked fifth among destinations for UAE exports in 2019.”

Abu Dhabi and Dubai have built some of the most advanced air and maritime infrastructures in the Gulf region and aimed to position the country as a hub in the middle of the IOR. This was the business strategy of the Emirates airliner back in the 1980s, that is, to serve as a gateway to Asian destinations, for both business and leisure purposes.<sup>9</sup> In fact, this pivotal location of the Emirates was already evident in the era of the British empire as London built an airfield in the Emirate of Sharjah to serve as an overnight stop for British planes on their way to its Asian territories.<sup>10</sup>

In the same vein, over the past decade Abu Dhabi has invested in the expansion of Fujairah port — the only one in the country located on the Gulf of Oman and enjoying direct access to the Arabian Sea. The expansion followed the construction of the Habshan-Fujairah pipeline inaugurated in 2012, which allows oil shipments to bypass the Strait of Hormuz chokepoint. Fujairah's port capacities have since grown spectacularly: in 2007, it had three oil berths and handled 400 ships; by 2015, the number of oil berths had grown to nine and a total of 2,230

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<sup>9</sup> “The Milestones in Emirates’ Incredible Journey”, <https://www.emirates.com/english/about-us/history.aspx#tabs-main=tab-1990s&accessed on 27 November 2019>.

<sup>10</sup> Kristian Coates Ulrichsen, “Gulf Airlines and the Changing Map of Global Aviation”, Rice University's Baker Institute for Public Policy, 24 June 2015, p. 3.

ships berthed in the port that year. Oil storage capacity at the port, which was merely 550,000 cubic metres in 1994, is projected to reach more than 11 million cubic metres by 2021.<sup>11</sup>

“The UAE’s decision to allow China’s Cosco Shipping to take a 90% share in one of the terminals at Khalifa port ... reflected how much the country was positioning itself as China’s point of access in the Gulf within the framework of Beijing’s Belt & Road Initiative.”

Abu Dhabi also expanded the capacities of Khalifa port, located between the Emirati capital and Dubai. The most significant development was undoubtedly the decision to allow China’s Cosco Shipping to take a 90% share in one of the terminals at Khalifa port, an extraordinary move by business standards in the Gulf, where local entities usually keep a 50% control over ownership.<sup>12</sup> This move reflected how much the UAE was positioning itself as China’s point of access in the Gulf within the framework of Beijing’s Belt & Road Initiative (BRI), especially after Xi Jinping’s visit to the UAE in July

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<sup>11</sup> Logistics Middle East, “Fujairah launches UAE’s first Indian Ocean VLCC jetty”, LogisticsMiddleeast.com, 22 September 2016, <https://www.logisticsmiddleeast.com/logistics/article-12716-fujairah-launches-uaes-first-indian-ocean-vlcc-jetty>; Website of Port of Fujairah, <https://fujairahport.ae/about-us/port-of-fujairah-overview/>

<sup>12</sup> Jeffrey Becker, Erica Downs, Ben DeThomas and Patrick deGategno, “China’s Presence in the Middle East and Western Indian Ocean: Beyond Belt and Road”, Center for Naval Analyses, February 2019, p. 88.

2018. Following that visit, the UAE sent the highest-level delegation from the Gulf to the second BRI forum, held in April 2019.<sup>13</sup>

“The UAE developed its own regional strategy of investments in the economies of countries in the Indian Ocean region, something that to a certain extent echoes Beijing’s approach and could be dubbed an ‘Emirati little BRI’ ... .”

While the UAE may be the most enthusiastic supporter of China’s BRI in the Gulf, it also developed its own regional strategy of investments in the economies of IOR countries, something that to a certain extent echoes Beijing’s approach and could be dubbed an “Emirati little BRI”. These investments involve the construction or modernisation of national infrastructures in South Asia. Abu Dhabi has prioritised investments in Indian infrastructures as a key item on the agenda of its partnership with Delhi.<sup>14</sup> At the same time, the UAE remains a critical financial supporter of Pakistan, providing a \$3 billion deposit in 2018 to save the country from bankruptcy.<sup>15</sup>

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<sup>13</sup> The UAE delegation was headed by Sheikh Mohammed bin Rashid Al Maktoum, emir of Dubai and vice-president of the UAE.

<sup>14</sup> UAE investors have announced the goal of investing US\$75 billion specifically in Indian infrastructure. See *The Economic Times*, “UAE investors plan \$75 billion infrastructure fund for India”, 9 October 2017.

<sup>15</sup> Ashfaq Ahmed, “UAE provides \$3 billion lifeline to Pakistan”, *Gulf News*, 22 January 2019.



The UAE also plays a significant — and largely ignored — role in the economies of small IOR states like the Maldives and Seychelles. For instance, Etihad Airways bought 40% of Air Seychelles and the Abu Dhabi Urban Planning Council provided expertise in the preparation of the Seychelles Strategic Plan 2040. The expansion of the country’s international airport was financed by Abu Dhabi Airports Company while the construction of a new hospital was financed through a donation from Khalifa Foundation.<sup>16</sup>

It is worth noting that these Emirati investments sometimes got trapped in local politics, as evidenced by the dispute between Dubai Ports World and Djibouti, where the Emirati company had been operating the Doraleh port terminal under a 30-year concession. In 2018, the Djiboutian government suddenly terminated their contract and seized the port following the deterioration of diplomatic relations with the UAE.<sup>17</sup>

## “Little Sparta” in the Indian Ocean

Alongside the rise of Emirati investments in the IOR was the advent of a 20-year reform of the country’s military forces. Starting in the mid-1990s, Abu Dhabi focused tremendous efforts on the development of its armed forces, whether at the level of military training or procurement of state-of-the-art weapons systems. Soon, Emirati soldiers contributed to

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<sup>16</sup> Nadeem Hanif, “Abu Dhabi urban planning experts sent to Seychelles to study how to develop island country’s economy”, *The National*, 31 May 2014; Shweta Jain, “Etihad Airways to pay \$20m for 40% stake in Air Seychelles”, *Gulf News*, 26 January 2012.

<sup>17</sup> Reuters, “London court orders Djibouti to pay \$385 million for exclusivity breach: UAE news agency”, 4 April 2019.

international operations in Kosovo, Afghanistan, Libya, Syria and eventually Yemen.<sup>18</sup> This military growth earned Abu Dhabi the nickname “Little Sparta” and the reputation of being one of the most capable armed forces in the Middle East.<sup>19</sup> Interestingly, this military growth also had concrete effects on the Emirati presence in the IOR.

“Because of the importance of the Indian Ocean region to the Emirati economy, maritime security in the area has always been a national interest.”

First, because of the importance of the IOR to the Emirati economy, maritime security in the area has always been a national interest. This is reflected in Abu Dhabi’s reaction to piracy attacks in 2008-2009 in the Bab el Mandeb Strait: in March 2011, the UAE’s Minister for Foreign Affairs Sheikh Abdullah bin Zayed Al Nahyan went as far as to describe piracy as “one of the most threatening challenges of the 21<sup>st</sup> century”.<sup>20</sup> If the Emirati contribution to the anti-piracy operations in the IOR was modest at that time, it accelerated the country’s development of indigenous naval capabilities — the most

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<sup>18</sup> For details on the UAE’s military reforms, see “Speech by His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, on the Occasion of the 39th Anniversary of the Unification of the Armed Forces”, 4 May 2015, <https://www.cpc.gov.ae/en-us/mediacenter/Pages/Speeches.aspx>.

<sup>19</sup> Rajiv Chandrasekaran, “In the UAE, the United States has a quiet, potent ally nicknamed ‘Little Sparta’”, *Washington Post*, 9 November 2014.

<sup>20</sup> Emirates News Agency, “Maritime piracy is quickly becoming one of the most threatening challenges of 21st century: Abdullah”, 2 March 2011, <http://wam.ae/en/details/1395228878739>, accessed 21 November 2017.

illustrative case being the building of its Baynunah corvettes by Abu Dhabi Ship Building in the mid-2000s.<sup>21</sup> The capacity of Emirati forces to play a role at sea became evident when the war in Yemen started and more specifically when the UAE launched amphibious assaults on the coastal cities of Mukalla and Aden.

The war in Yemen also hastened the deployment of Emirati military assets in bases in the Horn of Africa. The first of these military bases was in Assab port in Eritrea — 106 km from Bab el Mandeb Strait. Abu Dhabi signed an agreement with the Eritrean authorities giving it access rights to the facilities at the port for 30 years. Those facilities included a 3,500-metre runway that the UAE air force used for strategic airlift during the war in Yemen. Assab proved a crucial location for Emirati forces to launch their naval operations during the war.<sup>22</sup> The facilities were also used to train Yemeni forces backed by the UAE.<sup>23</sup>

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In February 2017, the parliament of the self-declared Republic of Somaliland in Somalia approved the cession of rights for 25 years to

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<sup>21</sup> Jean-Loup Samaan, “The Rise of the Emirati Defense Industry”, Sada, Carnegie Endowment for International Peace, 14 May 2019, <https://carnegieendowment.org/sada/79121>, accessed 2 March 2020.

<sup>22</sup> Michael Knights, “The UAE Approach to Counterinsurgency in Yemen”, *War on the Rocks*, 23 May 2016, <https://warontherocks.com/2016/05/the-u-a-e-approach-to-counterinsurgency-in-yemen/>.

<sup>23</sup> US Congressional Research Service, “The United Arab Emirates (UAE): Issues for US Policy”, 1 November 2019, p. 16.

the UAE to construct and use an air and naval base approximately 40 km sq in size in Berbera. This followed a major contract worth US\$442 million obtained a year before by Dubai Ports World to develop and operate the civilian port in Berbera.

“The Emirati military footprint in the area fuelled intense speculations about the UAE’s military ambitions but these were sometimes disconnected from reality.”

These developments eventually triggered concerns at the level of the central government in Mogadishu regarding the way the UAE had bypassed it to directly engage with regional entities. Months of diplomatic tensions between Emirati authorities and the government in Mogadishu culminated in Somali security staff seizing US\$9.6 million worth of cash aboard an Emirati civilian aircraft at Mogadishu in April 2018. Abu Dhabi claimed that the money was intended to support the counterterrorism operations of local Somali armed forces while political circles in the Somali capital believed it was directed towards regional opponents to the central government.<sup>24</sup> As a result, the UAE suspended its military cooperation with the Somali government.

Overall, the Emirati military footprint in the area fuelled intense speculations about the UAE’s military ambitions but these were sometimes disconnected from reality. There was a strategic case to make for such deployments: Given the high reliance of the Emirati economy on imports, securing access to various locations of the IOR, and in

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<sup>24</sup> Reuters, “UAE denounces seizure of cash and plane in Somalia”, 10 April 2018.

particular East Africa, enabled the country to prevent any disruption of resources essential to the functioning of its society. In that perspective, Emirati military “basing” merely mirrored the logic of other countries’ forward deployments as a way of protecting business investments overseas: French bases in Africa and the IOR or China’s base in Djibouti typically serve that purpose.

At the same time, the Emirati presence was sometimes described as part of a quasi-colonial project of Abu Dhabi in the region. In fact, facilities such as Assab were primarily used for the war in Yemen and Abu Dhabi started dismantling most of its military infrastructure in the area by 2020, evidencing that these military moves reflected mostly temporary operational needs. The dismantling of the facilities suggests that the cost of maintaining a permanent force (involving personnel and capabilities) is significant even for a country like the UAE.

## **The Burden of Becoming a Middle Power in the Indian Ocean**

If Abu Dhabi does indeed have its sights on developing a footprint beyond the Gulf and becoming a genuine middle power that matters in the IOR, there are still major unknowns. First, it remains to be seen whether the UAE is willing and able to play an active role in the governance of the IOR. On the one hand, Abu Dhabi played a major role in the Horn of Africa in 2018: it facilitated the Ethiopia-Eritrea peace deal, demonstrating an ability to leverage its close ties with Eritrean elites while pledging a US\$3 billion aid and investment package to Ethiopia.<sup>25</sup> But, on the other hand, the tensions between the UAE and

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<sup>25</sup> Aaron Maasho, “UAE to give Ethiopia \$3 billion in aid and investments”, Reuters, 16 June 2018.

the governments in Somalia and Djibouti raised questions about the ability of Abu Dhabi to act as a stabilising force in the region.

“The real litmus test for Abu Dhabi may be its ability to position itself vis-à-vis the evolving US-India-China strategic triangle of the Indian Ocean region.”

At the multilateral level, the UAE recently assumed the rotating presidency of the Indian Ocean Rim Association (IORA) for three years (2019-2022), the first time it has done so since becoming a member in 1999.<sup>26</sup> In the past, Dr Anwar Gargash, the former UAE minister of state for foreign affairs, indicated in public statements that Abu Dhabi wanted to foster cooperation among IORA members on maritime security through the enhancement of local capabilities and better information-sharing processes.<sup>27</sup> However, Emirati diplomats have been careful not to use their IORA chairmanship for political causes, instead putting on the official agenda only technical or business-oriented items such as blue economy, trade and investment facilitation, tourism and cultural exchange and women empowerment programmes.<sup>28</sup> Admittedly, this caution may have less to do with Emirati ambitions than with the limitations of IORA itself as a regional institution.

Second, the real litmus test for Abu Dhabi may be its ability to position itself vis-à-vis the evolving US-India-China strategic triangle of

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<sup>26</sup> Only three Gulf countries are members of IORA: the UAE, Oman and Yemen.

<sup>27</sup> Ministry of Foreign Affairs, UAE, Public Speech by Dr. Anwar Gargash, 11 October 2017, <http://wam.ae/en/details/1395302637991>.

<sup>28</sup> Correspondence with UAE diplomats, October 2019.

the IOR. Over the past five years, Abu Dhabi has been able to strengthen its ties with each of these powers and so far it has been careful not to antagonise any of the major powers while focusing on its own rise.

“But the real challenge for Abu Dhabi may come from Washington.”

The UAE's embrace of China's BRI could affect its relations with India. Specifically, given Delhi's antipathy towards Beijing's project, it could impede similar Indian-Emirati initiatives such as infrastructure investments. So far there has been no indication of this effect, but such a possibility should not be dismissed if the current India-China competition escalates and morphs into a polarising rivalry.

But the real challenge for Abu Dhabi may come from Washington. Over the past five years, Abu Dhabi has been able to strengthen its ties with each of these powers. Its military cooperation with the United States remains strong, as evidenced by the defence cooperation agreement of 2017 that revised and enlarged the scope of the previous agreement for the next 15 years.<sup>29</sup> Meanwhile, the UAE built closer ties with India and China. It expanded economic and security cooperation with India. At the same time, it became a close partner of China on the BRI and the response to the Covid-19 pandemic<sup>30</sup> and

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<sup>29</sup> US Congressional Research Service, “The United Arab Emirates (UAE): Issues for US Policy”, p. 19.

<sup>30</sup> The UAE not only participated in the trial phase of China's Sinopharm vaccine, but also announced in March 2021 a partnership with the Chinese company to build the first international plant for that vaccine (renamed Hayat-Vax) in Abu Dhabi.

even purchased Chinese military systems such as Wing Loong unmanned aerial vehicles. Although US arms sales to the UAE dwarfed those of China — amounting to US\$7.1 billion for the 2010-2020 period versus US\$166 million in China’s case — Abu Dhabi appears to see strong potential for cooperation with Beijing on niche capabilities such as artificial intelligence and unmanned systems.

“The bigger Abu Dhabi’s ambitions get, the more difficult it becomes for its leadership to align the country with the agenda of its key security provider, namely the United States.”

But relations with Washington may not remain smooth. Since the presidency of Donald Trump, the United States has tended to see its bilateral partnerships as transactional in nature where partners cannot expect free rides but must be able to contribute to the relationship. It has been promoting a vision of the so-called Indo-Pacific region as a battleground for US-China competition,<sup>31</sup> where increasingly each third party has to choose sides. The most recent evidence of this polarisation came in the form of the Biden administration’s announcement of a new US-UK-Australia defence agreement known as AUKUS.

Such a zero-sum game mindset in the IOR may become an issue for countries like the UAE that so far have aimed to diversify their diplomatic and economic arrangements in the IOR with all major powers, and especially with China. Closer ties with Beijing, particularly in

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<sup>31</sup> US Department of Defense, *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region*, 1 June 2019.



the military domain, could complicate Abu Dhabi's access to the American military platforms that it still needs for the modernisation of its forces. If such a scenario were to unfold, it would then confront Abu Dhabi with an inextricable dilemma: the bigger its ambitions get, the more difficult it becomes for its leadership to align the country with the agenda of its key security provider, namely the United States.

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