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Shutting Iran’s Emirati Back Door to Banks and Supply Chains

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Brief Analysis

In launching its newly announced “Operation Economic Outcast,” the Trump administration’s primary beachhead should be the UAE, which has signaled a shift in the right direction but will need targeted U.S. help with cutting off illicit Iranian transactions.

On August 19, two days after announcing that the U.S. memorandum of understanding with Iran would not be extended **(https://nypost.com/2026/08/17/us-news/trump-says-us-wont-extend-iran-mou-as-60-day-deadline-for-peace-talks-expires/)** , President Trump warned that his administration would be imposing new sanctions against the country’s financial networks amounting to an “economic D-Day **(https://www.nytimes.com/2026/08/20/world/europe/trump-iran-economy-sanctions-threats.html)** .” Iran is already one of the most sanctioned countries **(https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/777928/EPRS_BRI(2025)777928_EN.pdf)** on the planet, so the threat of “unprecedented” sanctions may ring hollow. And although Treasury Secretary Scott Bessent likewise threatened **(https://apnews.com/article/iran-war-trump-sanctions-economic-fury-oil-d28206ea288a3d4a9b82260ab44ce460)** to deploy “the full might” of the U.S. government against any country that continues to do business with Iran, this approach could place the United States further at odds with many other countries, including China.

Yet one nation plays such an outsize role in facilitating Iran’s sanctionable activities that additional U.S. pressure (and guidance) could make all the difference: the United Arab Emirates. Bessent and his department touched on this problem earlier today, mentioning the UAE in statements outlining the newly named "Operation Economic Outcast" and issuing **fresh designations (https://home.treasury.gov/news/press-releases/sb0613/)** against several UAE-based entities. More than just blunt-force sanctions will be required, however, as Bessent implied when noting that President Trump would be **personally contacting (https://x.com/USTreasury/status/2091951903403913606?s=20)** world leaders about severing their financial ties with Tehran.

Why the UAE?

The Emirates have long been a critical transshipment and illicit financing hub for Iran. Over the years, the United States **has sanctioned (https://www.ft.com/content/ec5f7351-7aec-4fe1-80dc-b02c62045109?syn-25a6b1a6=1)** 353 UAE-linked entities for illicit financial conduct related to Iran—nearly a quarter of Washington's total Iran-related designations worldwide. Only China outranks the UAE with 469 sanctioned entities, though the two numbers are closely intertwined as many Emirati-linked entities provide shadow banking or transshipment services for Chinese entities.

In the past year alone, the Treasury Department has sanctioned at least 154 UAE-based entities for such activity. Back in March on the eve of war, Iran was assessed to be so dependent on this illicit hub that President Trump said the UAE was "like the **banker for Iran (https://www.ft.com/content/ec5f7351-7aec-4fe1-80dc-b02c62045109?syn-25a6b1a6=1)**."

Today, however, after months of military operations and spillover effects, the Emirates appear ready to do something that no previous sanction action or diplomatic engagement was able to achieve: break their financial ties with Iran. The UAE has been hit with more attacks over the course of this conflict than any other country—**in total (https://www.csmonitor.com/World/Middle-East/2026/0429/iran-war-uae-hawkish-emiratis-arms-purchases)**, over 530 ballistic missiles, 26 cruise missiles, and 2,200 drones. Nearly twenty vessels affiliated with the Abu Dhabi National Oil Company **have been targeted (https://www.nbcnews.com/world/iran/united-arab-emirates-suspends-trade-iran-coming-renewed-missile-fire-rcna593433)** as well. And just last week, Emirati authorities detected two missiles fired toward the UAE targeting "**maritime traffic (https://www.reuters.com/world/middle-east/uae-says-iran-launched-two-missiles-it-2026-08-18/)**"—the first Iranian strikes against the country since a **May 4 attack (https://www.reuters.com/world/middle-east/uae-unlock-billions-dollars-iran-sources-say-2026-06-12/)** on Fujairah port. Yet even as early as April, senior Emirati advisor Anwar Gargash **was publicly noting (https://www.csmonitor.com/World/Middle-East/2026/0429/iran-war-uae-hawkish-emiratis-arms-purchases)** that the UAE faced an "important reassessment" of its relationship with Iran. "The first part is that this brutal and preplanned aggression poses a vital threat for decades to come. The second part is that our containment policies have also failed."

Trade Freeze Not Enough

Following the latest missile attack, President Trump's "economic D-Day" announcement, and a **call between (https://www.state.gov/releases/office-of-the-spokesperson/2026/08/secretary-rubios-call-with-uae-national-security-advisor-sheikh-tahnoon-bin-zayed-al-nahyan)** Secretary of State Marco Rubio and Emirati National Security Advisor Tahnoun bin Zayed, the UAE **announced (https://www.mofa.gov.ae/en/MediaHub/News/2026/8/19/uae-Iran)** on August 19 that "all trade, commercial exchanges, and financial transactions with Iran have been halted until further notice." Halting trade is important given how dependent Iran has become on the UAE as a transshipment and re-export point for legitimate goods. Non-oil trade between the two countries reportedly came to **over $27 billion (https://www.newarab.com/analysis/how-important-uae-trade-irans-economy)** in 2023-24.

Yet trade-related moves alone will not suffice given the Iranian regime's paramount focus on using the Emirates as a center for illicit transshipment and shadow banking. Underscoring this reality, the day after the trade freeze was announced, Treasury officials **sanctioned (https://home.treasury.gov/news/press-releases/sb0611)** a cash smuggling network that had moved hundreds of millions of dollars for the Islamic Revolutionary Guard Corps-Qods Force and Hezbollah on commercial airline flights between Lebanon and several other countries, including the UAE.

Clearly, Iranian front companies owned or based in the UAE play a major role in the regime's shadow banking network and illicit oil sales. A Treasury Department **trend analysis (https://www.fincen.gov/system/files/2025-10/FTA-Iranian-Shadow-Banking.pdf)** found that in 2024 alone, the Emirates as a whole—Dubai in particular—transacted more "potential shadow banking funds" linked to Iran than any other jurisdiction, amounting to $6.4 billion, or 71% of the total. The UAE also received more such funds than any other jurisdiction—approximately $5.6 billion, or 62% of the total.

Notably, Treasury reported that 42% of funds moved via the UAE transited through the country's free trade zones, while another 40% passed through the Dubai Multi Commodities Centre (DMCC). In addition, 58% of such funds flowed through Dubai-based onshore companies—95% of which were registered as limited liability companies, and 86% of which were "likely shell companies."

Indeed, Iran uses a range of front companies—including petroleum, shipping, and investment firms—to **obfuscate (https://www.fincen.gov/system/files/advisory/2025-06-06/FinCEN-Advisory-Illicit-Oil-Smuggling-508.pdf)** its financial transactions, supply vessels for its illicit oil shipments, and provide other operational support. Iranian exchange houses are typically used to run multiple front and trading companies in the UAE and elsewhere, spurring the Treasury Department to publicly identify the Emirates (along with Oman and Iraq) as countries "**known for obfuscating (https://ofac.treasury.gov/media/934236/download?inline)** Iranian origin" cargo. The department has also highlighted the role of UAE-based **oil (https://ofac.treasury.gov/media/934236/download?inline)** and **tanker (https://home.treasury.gov/news/press-releases/sb0026)** brokers who facilitate sanctioned oil sales, primarily to China.

Emirati entities play a similar role in facilitating Tehran's use of oil sale revenue to fund its militia proxies and partners across the region. In Yemen, for example, a Treasury release issued in January noted, "As part of the Houthi **oil sales operation (https://home.treasury.gov/news/press-releases/sb0367)**, the Iranian government both sells and provides a free monthly shipment of oil to the Houthis using Iranian-owned or affiliated companies based in Dubai, UAE," enabling the group to generate over $2 billion per year.

Separately, the White House Office of Trade and Manufacturing Policy released a report earlier this month titled "**The Great Transshipment Scam (https://www.whitehouse.gov/wp-content/uploads/2026/08/The-Great-Transshipment-Scam.pdf)**." In it, the UAE is described as the epitome of "the maritime gateway supernode model, with Jebel Ali's port, free zone, bonded facilities, and re-invoicing platforms allowing China-origin goods to move under new export documentation."

Recommendations

The majority of Iran's transshipment, smuggling, and shadow banking activity takes place in Dubai, so Washington must do what it can to help the UAE's national leaders in Abu Dhabi convince and cajole Dubai's leaders to play ball. If past is precedent, there is reason to believe they can do just that.

In 2008, when the global financial crisis led to a **crash (https://www.bbc.com/news/business-11837714)** in Dubai's property values, oil-rich Abu Dhabi provided a multi-billion-dollar **bailout (https://www.theguardian.com/world/2009/dec/14/dubai-10bn-dollar-payout)** and then leveraged this assistance to convince Dubai to curb some of its trading ties with Iran. Tensions persisted between the two emirates over continued exposure to illicit Iranian conduct, in what analyst Karim Sadjadpour described in 2011 as "**The**

Battle of Dubai **(https://assets.carnegieendowment.org/static/files/dubai_iran.pdf)** ." Moreover, the Iranian expatriate community in Dubai (numbering around 600,000 **(https://www.washingtonpost.com/world/middle_east/the-once-flourishing-iranian-community-in-dubai-faces-pressure-amid-gulf-tensions/2019/08/12/450dfb88-afa7-11e9-9411-a608f9d0c2d3_story.html)**) has come under economic and political pressure from time to time, such as when tensions with Tehran rose and U.S.-led sanctions increased in 2019. And yet Iranian illicit transshipment, smuggling, and shadow banking activity persists in the UAE today, providing a critical lifeline to the regime in Tehran.

Dismantling these networks—which encompass a wide range of front companies that enable sanctions evasion, facilitate funding for militia proxies, own or lease shadow fleets to move sanctioned oil, and open accounts to facilitate shadow banking and process illicit oil payments—is no small undertaking. But if Emirati regulators and law enforcement authorities take the necessary action to address this problem—which threatens the integrity of their own financial system as well—then the U.S. government would not have to. By shutting down Iranian fronts and taking action against the domestic parties involved, the UAE could get ahead of the U.S. sanctions enforcement crackdown that began in earnest with today's designations.

The alternative might be drastic—for instance, Treasury's Financial Crimes Enforcement Network (FinCEN) could escalate by designating **(https://www.fdd.org/analysis/2026/07/16/irans-renewed-aggression-should-spur-u-s-to-revive-maximum-pressure-campaign/)** international transfers involving Emirati shell companies tied to Iranian shadow banking as being "of primary money laundering concern" under Section 311 of the USA PATRIOT Act. To avoid this outcome, U.S. officials should make themselves available to help the UAE investigate and act against bad actors, much like Treasury did in 2008-10, when senior officials and experienced technocrats paid regular visits to both Abu Dhabi and Dubai.

To be sure, this is a deep-rooted problem that has been allowed to fester over many years. Yet amid this year's ongoing crisis, the UAE has more reason than ever to reassess its policies toward Iran—that is, to start viewing the Islamic Republic not as a difficult neighbor to be coopted into good behavior, but as a strategic threat **(https://www.csmonitor.com/World/Middle-East/2026/0429/iran-war-uae-hawkish-emiratis-arms-purchases)** whose malign intentions must be thwarted. The good news is that the UAE is uniquely positioned to undermine Iran's "resistance economy **(https://www.fdd.org/analysis/2022/07/26/ayatollah-khameneis-resistance-economy/)** ," which relies on the Emirates more than anywhere else to access supply chains and the international financial system. This leverage could be the key to President Trump's "economic D-Day" campaign.

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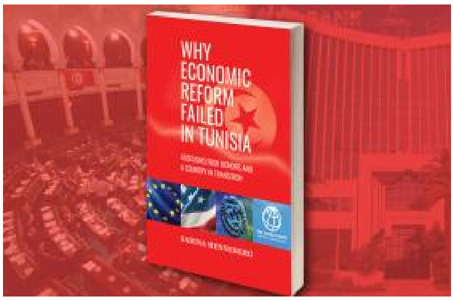

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