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Capital, Labor, and State: Rethinking the Political Economy of Oil in the Gulf

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Abstract and Keywords

The Middle East's pivotal position in a hydrocarbon-based global capitalism carries enormous ramifications for the region and the Gulf Arab states in particular. This chapter aims to present key debates associated with this transformation. It begins with an overview of the Rentier State Theory (RST). RST theorists foreground the impact of oil rents on Gulf states, drawing causal relationships between these rents and the characteristics of the Gulf's political economy. The chapter turns to a critique of some of its core assumptions, notably its theorization of state and class. It argues that a more satisfactory understanding of the political economy of oil in the Gulf can be found through a return to the categories of class and capitalism, and a deeper appreciation of the ways in which the Gulf is located in the wider dynamics of accumulation in the world market.

Keywords: capitalism, class, real estate, GCC, Gulf Arab states, migrant labor, oil, rentier state

Beginning in the first decades of the twentieth century and through to the aftermath of the Second World War, a fundamental shift took place in the world's energy regime. From a system of industrial production based primarily on coal, this period marked a transition to oil and gas as the principle fuels underpinning manufacturing, industry, and transport. Oil and gas were considerably more energy efficient than coal, and their portability made them ideal fuels for automobiles and airplanes. New chemical industries based on the production of synthetic and inorganic commodities—plastics, synthetic fibers, detergents, fertilizers, and so forth—shifted away from using coal as a feedstock towards oil and gas, enabling an expansion in production and productivity (indeed, the term "petrochemicals" first emerged at this time to signify this shift).[1] Significantly, the Second World War had also demonstrated the superiority of oil-powered militaries—US output of gasoline for military use at the end of the war was about eighteen times greater than at the beginning, and that of aviation gasoline about eighty times greater.[2] In 1949, oil and gas had accounted for 53% of all energy used in the United States. By 1960, this was to rise to

72%.[3] Not only did these hydrocarbons enable a radical reworking in the nature of production, transport, and war-making, they were also considered "politically more reliable;" coal miners had formed one of the most militant sections of labor unions through the decades before the war.[4] Furthermore, the significance of oil and gas extended beyond their utility as fuels and feedstocks. Associated with the sale of these commodities on the world market was the potential accumulation of enormous financial surpluses. The redirection of these surpluses into the developing financial circuits of the new global capitalism—most particularly US treasuries, European and North American financial institutions, and the international debt markets that were to form through the 1970s and 1980s—was a crucially enabling factor in how these circuits grew.[5] So-called "petrodollars" continue to be a central pivot of global financial architecture into the contemporary period.

Initially, much of the postwar demand for oil and gas was supplied by the United States and Europe. By the mid-1960s, however, the world's principal supplies of cheap and accessible hydrocarbons were to be found in the Middle East—notably in Saudi Arabia, Kuwait, Iraq, Iran, and the smaller Gulf states of Bahrain, Oman, Qatar, and the seven sheikhdoms that would eventually become the United Arab Emirates. The first oil well was drilled in Bahrain in 1931, with exploration and commercial export massively expanding through the decades following the Second World War. By 1969 the Middle East's oil production exceeded that of North America and Europe; by the mid-1970s, it would be equivalent to their combined total.[6] For this reason, political domination of the Gulf and wider Middle East was an essential element to how the postwar international states system developed—as numerous authors have analyzed in detail, the emergence of a US-dominated global capitalism was to a great extent premised on Western control of the region.[7] Despite the availability of alternative sources of oil in recent years—such as North American shale reserves—the Middle East remains key to the world energy markets, accounting for more than half of proven oil reserves and nearly one-third of oil production, and 47% of proven gas reserves.[8]

The Middle East's pivotal position in a hydrocarbon-based global capitalism carries enormous ramifications for the region as a whole, and the Gulf Arab states in particular. In just a few short decades, social relations in the Gulf had undergone a dramatic shift, from an economy based largely on pearling, entrepot trade, and some agriculture, into a core zone of the global political economy. The aim of this chapter is to present a survey of some of the key debates associated with this transformation. To this end, the chapter begins with an overview of an influential perspective known as Rentier State Theory (RST), which has been described as "one of the major contributions of Middle East regional studies to political science."[9] Rentier State theorists foreground the impact of oil rents on Gulf states, drawing causal relationships between these rents and the characteristics of the Gulf's political economy. Employing a theoretical understanding of state and society drawn from Weberian sociology, these theorists argue that rents have fostered a pronounced autonomy of the Gulf states from society, allowing the former to dominate and shape all other social processes.

After outlining the principal contentions of RST, the chapter turns to a critique of some of its core theoretical assumptions, notably its theorization of state and class. Ultimately, it is argued, a more satisfactory understanding of the political economy of oil in the Gulf can be found through a return to the categories of class and capitalism, and a deeper appreciation of the ways in which the Gulf is located in the wider dynamics of accumulation in the world market. In this manner, the analysis below emphasizes the necessarily intertwined processes of class and state formation in the Gulf, tracing how this has shaped forms of capital and labor over recent decades. The chapter concludes by assessing the implications of such an approach for emerging avenues of critical scholarly work.

Rentier States and the Gulf

Much contemporary work on the political economy of the Gulf builds on the earlier insights of an Iranian economist, Hossein Mahdavy, who wrote a germinal account of the impact of oil on Iran's economy prior to the revolution of 1970. According to Mahdavy, Iran was an archetypal example of a *rentier state*, defined as an economy that received "on a regular basis substantial amounts of external rent [which are] rentals paid by foreign individuals, concerns or governments to individuals, concerns or governments of a given country."[10] Describing these external rents as akin to "a free gift of nature or as a grant from foreign sources,"[11] Mahdavy argued that they produced a particularly distorted pattern of economic development. Notably, they enabled the Iranian government to embark on large spending programs without having to resort to taxation—a situation that Mahdavy characterized as "fortuitous *étatisme*." As a consequence of this particular economic structure—regular capital inflows with little need to extract wealth from alternative industrial or productive activities—Mahdavy posited that rentier states would be inclined to spend on consumption rather than pursue industrial diversification.[12] This, in turn, would accentuate the gap between those sectors connected to oil rent and other industries; while "considerable government expenditure (usually in a few cities) [create] an impression of prosperity and growth, the mass of the population may remain in a backward state and the most important factors for long-run growth may receive little or no attention at all."[13]

From this standpoint, Mahdavy, and later RST-influenced scholars, highlighted the presence of external rents to explain the social, political, and economic characteristics of resource-rich countries. But while Mahdavy's analysis warned of the potentially negative impact that rents could have on economic development, he was nonetheless careful to avoid determinist readings—emphasizing that governments could pursue alternative paths that prioritized industrialization and support of education and training.[14] Subsequent interpretations of RST, however, have tended to adopt a much more deterministic approach to the effects of oil-derived rents on politics, economics, and even the behavior of individual citizens. In an extremely influential account, for example, Beblawi and Luciani (1987) highlight the impact of "no taxation" and state largesse in rentier states on citizen attitudes. They argue that in the absence of any pressure to engage in "productive activities," citizens tend to lack the spirit of entrepreneurialism and are susceptible to a “rentier mentality” in which the state is expected to provide for their needs in return for their political passivity.[15] Similarly, other authors have claimed a causal correlation between reliance on rent and political autocracy.[16] Ross, for example, contends that there are few “pressures for greater accountability” in rentier states due to the absence (or low levels) of taxation, and thus little incentive for groups to challenge established powers.[17] In this manner, Ross argues that rentierism promoted three key effects: a “rentier effect,” in which the lack of taxation encouraged political quiescence; a “repression effect,” which meant the state’s resources allowed it to fully develop extensive repressive capacities; and a “modernization effect,” where rents led to uncompetitive and poorly developed economies, and consequently weakened occupational specialization, educational attainment, and urban development.[18]

Among the wider population, rentier-state theorists have also explored the internal dynamics of citizenship and its relationship to the state. In this regard, an overriding theme is once again the supposed reluctance of the state to create “market incentives for development”—instead, the state utilizes its control of rents to “structure relationships with society vertically through chains of patronage dependence.”[19] Because the allocation and circulation of external rents is fully controlled by the Gulf’s ruling families—and access to these rents form the primary means of wealth for all social groups—internal competition around rent circuits becomes a major preoccupation of citizens. Various corporate entities, social groups, and individuals, are thus very reluctant “to act economically or politically on [their] own behalf, let alone seriously criticise the state.”[20] The state is able to penetrate all spheres of society, using its distributive powers to bind allegiances, incorporate patronage networks, and mute opposition. One result of this system is a pronounced “vertical segmentation,”[21] through which various (and ever-shifting) alliances based on tribal, religious, ethnic, and other interests are divided from one another and seek to gain access to the centrally determined flow of rents—further undermining the potential for horizontal forms of cooperation. Running through all these accounts is an analytical emphasis on the pronounced autonomy of the state apparatus in the Gulf from wider society. Freed from the constraints of taxation and the need to account for societal pressures—and having differentially incorporated citizens into rent circuits through patterns of vertical segmentation—Gulf monarchies constitute an archetypal “strong state,” with a particularly enhanced capacity “to penetrate society, regulate social relationships, extract resources, and appropriate or use resources in determined ways.”[22]

As noted above, RST remains a particularly influential approach to understanding the specificities of Gulf social formations—an approach, moreover, that has found theoretical resonance beyond the Middle East (among, for example, studies of mineral-rich African states). It has certainly led to some useful insights into the nature of these states, particularly at a comparative level—where different initial institutional arrangements between states, ruling families, and corporatist groups have led to different forms of “path dependency,” shaping a variety of social outcomes.[23] The close attention to how Gulf state apparatuses are institutionally structured has produced rich and detailed accounts that valuably assist our understanding of political processes in these states. The theory has, nonetheless, been subject to a variety of critiques. These have included a questioning of its empirical predictions around political quiescence and the presence of rent[24]; claims that the theory excluded politics and needed to better theorize the interaction between exogenous rents and domestic sociopolitical variation[25]; critiques of its ability to account for different state spending policies between the first and second oil booms[26]; and arguments that RST downplays the political economy of imperialism in the Middle East.[27] These and other critiques have spawned numerous subgenres of RST and, indeed, a convincing case can be made that there is no single RST but a variety of theories that have emerged in close association with the movement of the price of oil on the world market (and hence the level of rents accruing to Gulf states).[28]

Notwithstanding this variation, a core feature of all RST approaches is a particular theoretical conceptualization of the state and class that is drawn from Weberian sociology and political science. Framing this perspective are two basic analytical categories—the state and "civil society." Following Weber, the former is defined by its monopoly over the "legitimate use of force" within a given territory,[29] and consists of the various political institutions that govern a country. The latter is made up of "institutions autonomous from the state which facilitate orderly economic, political and social activity."[30] In this manner, the Weberian framework posits a strict conceptual division between both categories (often expressed as the separation of "politics" and "economics")[31]; the state is thus granted a wide degree of freedom and latitude to operate as "as a public realm separate from the private realm of civil society."[32]

It is this assumption of state autonomy—ultimately derived from the "free gift of nature" that oil rents provide—which explains the analytical focus of RST on the institutional configuration of the Gulf state. As with the wider Weberian literature in which it is located, *institutions* (specifically those of the state) are considered the determinant, a priori, factor driving the characteristics of wider social patterns. As a result, within the rentier framework, categories such as class and capitalism either disappear from view or are considered derivate and subordinate to the policies of the state. The development of capitalism is understood as a consequence of the nature and choices of the state apparatus (particularly decisions made by the ruling family).

It is striking that virtually all of the debate around RST has focused on assessing its predictive and descriptive powers, and has generally avoided a critical examination of its basic theoretical assumptions concerning state and class. This lacuna persists despite the rich and ongoing debate around state theory that exists within the wider political economy literature. Within this literature, numerous scholars have argued that the state, as an institution, is never independent from the social (class) relations that govern the reproduction of any capitalist society. The state is an institutional "form of appearance" of these social relations, which acts to maintain the existing class structure, mediates the conflicts that inevitably appear between and within classes, and allows these relations to reproduce themselves.[33] Although the state may appear to us as an independent political institution, we need to penetrate below this appearance to grasp the state as a social relation, which, in the words of the philosopher Bertell Ollman, constitutes a "set of institutional forms through which a ruling class relates to the rest of society."[34] As a consequence, the relationship that the ruling class holds with the state is actually part of what constitutes it as a class; state and class need to be seen as mutually reinforcing and co-constituted, with the latter providing the conditions of existence for the former.[35] An analysis of the state, therefore, must begin with an "examination of the 'anatomy of bourgeois society,' that is, an analysis of the specifically capitalist mode of social labour, the appropriation of the surplus product and the resulting laws of reproduction of the whole social formation, which objectively give rise to the particular political form."[36]

This perspective offers an insightful alternative to Rentier State Theory and its understanding of the political economy of the Gulf. If the Gulf state is viewed as an institutional form of the class relations that typify Gulf societies, then the challenge becomes one of tracing how capitalist social relations developed and took the particular form that they did in the Gulf (including, of course, the political form). Methodologically, this alternative standpoint redirects analytical attention towards the categories of class and capitalism, which have largely dropped from view within the RST literature's focus on the state. Important questions that subsequently arise include: who constitutes the capitalist class in the Gulf? How did this class originate and how is its accumulation structured? How is the formation of labor connected to the dominance of capital? How does the political form of the Gulf state mediate the relationships of power between labor and capital? How are these relationships located within the wider global political economy as well as regional processes? Obviously oil revenues and the concomitant development of the state will form a central part to answering these and similar questions, but an emphasis on the intertwined processes of class and state formation brings to the fore the relations of power that underlie the political economy of the Gulf.

Capital in the Gulf

How then, can the notion of a "capitalist class" be conceptualized with respect to the Gulf states? The first aspect to note is that class formation in the Gulf needs to be located alongside and within the wider development of the world market in the postwar period. Viewed from this perspective, Gulf capitalism is not a self-enclosed space that can be understood simply through features that are considered "internal" to it (such as the use of oil revenues). Rather, Gulf capitalism arose as an integral part of the making of the global political economy. This means that certain tendencies at the heart of the contemporary world market—including the increasing internationalization of production, the immense growth of financial markets in recent decades, and the rivalries (and shared interests) between different global powers—are very much interiorized within Gulf capitalism itself. These factors are important not simply to understanding processes of state and class formation in the Gulf. They are also key to moving beyond the "commodity fetishism" of much RST—a fetishism that attempts to explain patterns of social development through the presence (or absence) of a commodity rather than understanding the significance given to that commodity by the (global) social relations within which it is embedded.[37] It is beyond the scope of this chapter to explore these issues in detail, but numerous scholars have contributed important work that helps to illuminate the interaction between the Gulf states and accumulation at the global scale.[38]

Given this context, over the past few decades the Gulf states have witnessed the emergence of large business conglomerates that dominate all economic activities in the region. Typically these conglomerates are structured around holding companies whose subsidiaries span industrial and manufacturing activities, commerce, retail, and finance. They are controlled by influential families (often drawn from the older merchant class) or by members of the ruling families themselves. The origins of these conglomerates are most often linked to the arrival of oil industries and the early urbanization of the Gulf states, including the provision of services to foreign multinationals, the laying of pipelines, and construction of buildings and other infrastructure. In all of these sectors, business opportunities were heavily dependent on the provision of state contracts and other forms of state support (such as joint investments with state-controlled firms or access to cheap land). In this manner, early capital accumulation in the Gulf was closely linked to the emergence of the state itself.

In the contemporary period, it is useful to analyze the activities of this class through three interconnected circuits: productive, commercial, and financial.[39] The first of these is naturally centered on the hydrocarbon industry and its derivative products. While upstream ownership of oil resources remains overwhelmingly in the hands of the state and ruling families, privately owned conglomerates have become increasingly involved in downstream industries over recent years. These industries include the production of energy-dependent commodities such as steel, aluminium, and cement, as well as petrochemical manufacture. In addition to this, the construction industry—particularly given the Gulf’s remarkable real estate and infrastructure boom of the last decade—remains a core activity within the productive circuit.

Profit-making opportunities in the commercial circuit are largely connected to the possession of rights to import and distribute foreign commodities—automobiles, food stuffs, technology, basic consumer goods, and so forth. In all of the Gulf states, these agency rights form a lucrative source of income for the largest conglomerates. Because agency rights are granted by the state, there is a tight connection between accumulation opportunities in this circuit and proximity to the ruling family. Frequently, business groups control both agency and distribution rights and simultaneously hold ownership stakes in the outlets in which they are sold (such as shopping centers and malls).

Each of these sectors is linked through financial markets that redirect capital within and between different corporate groups and economic activities. Nationally owned banks typically incorporate representatives of large conglomerates on their boards and amongst their largest shareholders. These are closely linked to state pension funds and other investment authorities, which provide a further mechanism for shifting capital flows originating in the hydrocarbon sector into other circuits of accumulation. Moreover, the last decade has seen the emergence of new financial institutions such as private equity companies, Islamic finance, and other investment firms. As with traditional banking structures, a mix of state and private Gulf capital dominates these new forms of finance capital.

These three circuits of accumulation intersect most starkly within the real estate sector, and thus help to explain the striking prominence of new malls, towers, and residential blocks that compete to exceed one another in size and extravagance.[40] Not only does this expansion of the real estate sector provide a constant stream of work for construction companies, it also reinforces and bolsters retail and commercial activities. This is one of the reasons why the recent real estate boom has been so heavily centered on malls and the marketing of the Gulf as a premiere destination for shopping. Moreover, the real estate boom has been a key destination for financial surpluses, confirming that the Gulf has been no exception to the increasing entanglement of financial and real estate markets within contemporary capitalism.[41] Accompanying these processes is a reworking of the Gulf urban space, characterized by privatized and fragmented enclaves that market tourist, financial, residential, and shopping activities to select participants. As Rami Daher has perceptively commented, this neoliberal reimagining of the Arab urban space is centered on building "gated communities with practices of inclusion and exclusion"—locations that deny entry to the vast majority while aiming to provide dreams of "constant play" for local and foreign elites.[42] This process is not confined to the Gulf itself; numerous scholars have noted the ways in which the urban development of cities such as Amman, Beirut, and Cairo are in large part following similar trajectories.[43]

A further characteristic of Gulf capital needs to be noted here—the increasing tendency towards its cross-border expansion. At one level, this internationalization of capital can be seen within the Gulf itself, partly enabled by the regional integration project embodied in the Gulf Cooperation Council (GCC). This includes cross-border Gulf investments in areas such as petrochemicals, construction, and finance; the establishment of subsidiaries in neighboring Gulf states; share ownership on the regional stock markets; and the incorporation of numerous Gulf states within a single conglomerate's agency rights. Most advanced in this regard are private equity firms, where corporate structures are typically characterized by ownership from a variety of different Gulf investors. This internationalization of Gulf capital within the GCC does not mean the amelioration of national rivalries in the Gulf—indeed, it is a sharply hierarchical process largely dominated by a Saudi–UAE axis—but it does mean that conceptions of state/class relations in the Gulf need to move beyond nationally centered frames of analysis.

Moreover, the internationalization of Gulf capital is also notable throughout the wider Arab world. This feature of the regional scale became increasingly prominent during the first decade of the twenty-first century, with a growing proliferation of cross-border investments by both Gulf conglomerates and state-owned investment firms. According to figures from the World Bank, investments originating in the Gulf reached more than one-third of total foreign investments in the Middle East in 2008, surpassing North America, Europe, and Asia.[44] Most of these Gulf-based investments went to Jordan, Egypt, Lebanon, Palestine, and Syria.[45] Indeed, in these five countries, more than half of total global investments came from the GCC states during the period between 2003 and 2008.

These figures reveal an important characteristic of the recent political economy of the Arab world: neoliberal reform has been accompanied by the increasing penetration of Gulf-based capital into national class structures.

Emerging from this account of the structure and moments of accumulation of Gulf capital are two important features that challenge the analytical assumptions of Weberian approaches to the Gulf state. The first is that Gulf ruling families—while clearly dominating state power—should be viewed as the central, organizing core of the Gulf capitalist class itself, rather than as simply the locus of political power. There is no strict dividing line between capital and state in this regard. Many individuals from ruling families occupy positions within the state apparatus as well as their own private business interests—or simultaneously act in both "private" and "public" capacities. The avowed autonomy or independence of the Gulf state from class disappears when viewed from this perspective.

Second, the capitalist class needs to be seen as broader than simply the ruling families. While the latter may constitute the dominant, central core of capital, there also exists a wider layer of large conglomerates drawn from older merchant families and other newer social groups. These conglomerates—like the ruling families themselves—have formed in close symbiosis with the state. Much of this process is acknowledged by traditional analyses of the Gulf—land grants, provision of agency rights, joint ventures with state-owned conglomerates, and the like—but the key point is to recenter analytical primacy on the class relations underpinning capital. The Gulf is not an anomaly within capitalist states internationally, in which a "weak" capitalist class is arrayed against a "strong, independent state." Rather, the nature of state power in the Gulf is reflective and supportive of a powerful capitalist class—consisting of both ruling families and a wider network of large conglomerates.

The Question of Migrant Labor

Furthermore, an analytical emphasis on processes of class formation in the Gulf acts to illuminate the centrality of labor migration to the political economy of oil in the region. According to the most recent statistics, the percentage of non-nationals has reached a remarkable 48% of the Gulf's 49 million-strong total population.[46] In the labor force this proportion is even higher—ranging from between 56 to 82% of the employed population in Saudi Arabia, Oman, Bahrain, and Kuwait, to around 93–94% in Qatar and the UAE.[47] Throughout the entire Gulf, 70% of the total employed population is made up of non-nationals[48]—the largest proportion of migrant workers in any country or region in the world. The vast majority of this migrant labor force—around 88% of all foreign workers—is found in the Gulf's private sector.[49] Collectively, the GCC is the destination of more migrants than any other region in the Global South, and for this reason many neighboring countries are highly dependent on remittance flows that originate in the Gulf.

A distinctive structure has developed to manage the deployment and control of these workers. This includes the notorious *kafala* system, a work visa arrangement that essentially binds the migrant to a sponsor (known as a *kafeel*) and prevents them from seeking work elsewhere. This system is not simply a means of disciplining labor; it is also critical to the ways in which Gulf citizenry are incorporated into their societies. Because the right to be a *kafeel* is provided by the state and becomes a property right of the employer, it creates a situation in which Gulf citizens are delegated the right to control the entry and employment of a migrant. In this manner, the surveillance and control of migrant labor is "subcontracted" by the state to individual citizens and businesses.[50] This provides a profitable income source for citizens (through the sale of permits), and also situates Gulf citizenry as an integral part of the state's disciplining of labor.[51] Moreover, competition between citizens over access to *kafeel* rights helps to generate a further process of vertical segmentation within society, encouraging the profession of loyalty and allegiance to the ruling family.[52]

The control over migrant labor is further enhanced through laws that prevent migrant workers from organizing collectively and systematically exclude them from the limited political and civil rights enjoyed by citizenry. One important illustration of this is the restriction on movement and residence within the country. Low-paid migrant workers are frequently housed in specially designed labor camps with their movement to and from work organized through employer-provided transportation.[53] These kinds of mobility restrictions are also an outcome of economic barriers, with worker accommodation consciously located far away from citizen or tourist areas. At times these restrictions on residence are legally enforced—in 2011, for example, Qatari authorities prohibited male migrant workers (mostly involved in construction) from living in established residential areas.[54] Female domestic workers are particularly subject to control over movement, as they typically live with their employer who may bar them from leaving the house. Indeed, one scholar has noted that close to one-half of all domestic workers she interviewed in the UAE had never left the houses of their employees unaccompanied.[55]

Taken together, these processes enable a profound exploitation of labor that includes dangerous and low-paid working conditions, very long hours of work, and the legally sanctioned possibility of arrest and deportation in the case of any labor protest. Minimum wages do not exist in the private sector (where most migrants are found) and huge wage differentials are present between citizen and non-citizen labor—even more pronounced if non-wage benefits are included (such as access to education, health, and housing).[56] In some sectors, particularly domestic work, wages are even linked to the national origin of the migrant. This exploitation is accompanied by a heavily racialized discourse that emphasizes the ever-present "threat" that migrants pose to the Gulf.[57]

In several key ways, this class structure is essential to how Gulf capitalism is able to reproduce itself. It has, for example, directly underpinned the accumulation of the conglomerates described above through the supply of a highly controlled and cheap labor force. Once again, construction and real estate is key in this regard—the vast proliferation of "mega projects" that sustain the activities of many of these conglomerates depends critically on the supply of migrant labor. Moreover, a highly precarious migrant workforce has enabled the Gulf to deal with numerous economic crises, such as that which occurred following the collapse of the real-estate bubble in Dubai in 2009–2010. By shutting down real-estate projects, slowing the hiring of new workers, and deporting workers back to their home countries, the UAE was able to partially ameliorate the worst aspects of the crisis itself—spatially displacing it onto sending countries dependent on the labor markets of the Gulf.[58] Finally, and perhaps most importantly, this class structure has acted to block the emergence of any significant indigenous labor movements that could challenge the obduracy of the Gulf monarchies and state system—indeed, this is one of the key reasons why the Gulf's labor structure developed in the way that it did.[59] In contrast, therefore, to the causal link that some versions of RST draw between the lack of taxation and pressures for political change, this perspective points to the centrality of class relations in understanding the nature of autocracy in the Gulf.

All of these observations highlight the importance of locating migrant labor at the core of an understanding of the political economy of oil in the Gulf. The development of the Gulf's economies cannot be adequately theorized through looking solely at the deployment of oil revenues, the internecine rivalries of royal families, or the institutional configurations and policies of the Gulf state. Both state and capital in the Gulf fully depend on the presence of a transient, precarious, and highly exploitable class of migrant workers drawn from numerous states across the globe. Their occluded status in the literature is symptomatic of the ways in which arrangements of power are naturalized or obfuscated within much academic work. This is significant not simply for relations of power in the Gulf itself; the trajectory of global capitalism would likely have taken a radically different path if the Gulf had not rested on the exploitation of a temporary, transit work force.

Conclusion: Emerging Questions and Future Paths

The arguments made above are naturally not meant to deny the criticality of oil revenues to the ways in which Gulf capitalism reproduces itself. Petrodollars have both underpinned the development of capital and state in the Gulf, and permitted the emergence of a labor market that depends so crucially on migrant workers. The point, however, is to refocus attention on Gulf capitalism as a totality—where institutions are seen as social forms that reflect and mediate relations of class power. Seen in this light, political economy accounts of the Gulf can avoid a type of "commodity fetishism," which posits determinate and causal conclusions simply from the availability of oil rents as such, towards an analysis much more concerned with tracing how forms of class and state power in the Gulf developed through a mutually reinforcing process fully embedded in the development of the global economy.

From this perspective, the precipitous drop in the global price of oil in the latter part of 2014 raises an important series of issues for understanding the political economy of the Gulf. Numerous observers have proffered competing explanations for this price decline—ranging from the Gulf's interest in driving high-cost US producers of shale oil out of the market, oversupply and decreased global demand stemming from economic weaknesses in Asia, and US–Saudi collusion to undermine geopolitical rivals such as Iran, Venezuela, and Russia.[60] Regardless of the precise cause, it is certain that the Gulf will continue to be a pivotal focus of global fault lines—particularly the political and economic rivalries between Asia and the United States. For this reason, there is an important need for scholars to explore more deeply the ways in which these rivalries (and the shared interests of global powers) are embodied in political economy relations between the Gulf and different zones of the world market. This includes questions such as the eastward shifting patterns of the Gulf's trade and financial linkages, cross-border ownership and investment flows in oil and other industries, the growth of the Gulf as a key headquarters of global Islamic financial institutions and of new Islamic finance instruments, the impending opening of several Gulf stock markets to foreign investment, the relationship between militarism, petrodollar recycling, and international arms sales, and the prominence of emerging global industries in Gulf development strategies (such as medical tourism, education cities, sustainable energy, and integrated global logistics zones). All of these questions are intimately connected to the nature of class and state formation discussed above.

The oil price drop has also brought into focus the ongoing viability of the Gulf's ubiquitous "mega-projects"—new cities, airports, logistics zones, hydrocarbon projects, and so forth—which continued to expand even in the wake of the 2008–2009 global crisis. Over the last six years, these projects have formed important investment opportunities for both Gulf and international companies in the context of ongoing global stagnation. A January 2015 announcement that Shell was not moving ahead with a massive $6.4 billion petrochemical project in Qatar—following similar multi-billion-dollar cancellations by Qatar Petroleum in September 2014 and the Saudi Basic Industries Corporation (SABIC) in October 2014—illustrates the potential impact of the oil price slump on the Gulf's continued economic expansion.[61] Projects such as these provide numerous lucrative contract opportunities for a range of Gulf-based companies, and any widespread and prolonged disruption will likely pose significant problems for the conglomerates discussed above.

Petrodollar surpluses are important not solely for the business opportunities they present. As this chapter has noted, hydrocarbon revenues have enabled Gulf states to bind citizen populations to ruling families through the use of generous subsidies around food, energy, housing, and other social services. In the wake of the 2011 Arab uprisings—and the outbreak of protests in Bahrain, Saudi Arabia, Oman, and Kuwait—an increase in this state spending was an important mechanism throughout which Gulf states attempted to insulate themselves from the wider regional uprisings. Although the so-called "break-even" price of oil remains relatively low in the Gulf compared to other global oil producers (notably Venezuela, Russia, and Iran), there is wide regional variation found throughout the Gulf—estimated to range from $50–60/barrel in Qatar and Kuwait to just under $100/barrel in Saudi Arabia and the UAE.[62] Given the significance of the latter two countries to the GCC as a whole, a prolonged downturn in the price of oil could have a substantial impact on social stability in the Gulf over the long-term.[63]

Budget sustainability is closely connected to the ongoing reality of social exclusion and poverty among some sections of Gulf citizenry. In Saudi Arabia and Bahrain, rising levels of youth unemployment (around 30% in both countries) raises the possibility of social protest following any significant reduction in social spending. Given the structural importance of migrant labor to the Gulf it is very difficult for governments to substantially address these unemployment levels, despite the professed aim to shift reliance away from migrants towards a citizen-based labor force. These issues are particularly accentuated by the demographic profile of Gulf populations—over half of the region is aged under 25.[64] Levels of unemployment and poverty, moreover, frequently correlate with religious and sectarian differences—the political implications of this are significant in countries such as Saudi Arabia and Bahrain. In this context, any long-term drop in the oil price accompanied by further downturn in global economic conditions means that the question of migrant labor remains essential. Previous crises have pointed to the ways in which migrants in the Gulf have borne the most severe impact of these moments, and the likelihood of increased repression of labor is immanent in any attempt by Gulf states to resolve a potential crisis. There have been several recent precursors of this, including the mass deportation of over 250,000 migrants from Saudi Arabia between November 2013 and January 2014, equivalent to nearly 3% of the country's migrant workforce.[65] At least three people died in the wake of the expulsions, with tens of thousands of migrants relocated to makeshift and poorly equipped detention camps.[66] At the same time, migrant workers across the Gulf have engaged in numerous strikes and other forms of action despite the heavy structural barriers noted above.[67] Alongside these labor actions, new examples of international solidarity have emerged with migrants in the Gulf.[68]

All of these dimensions of the Gulf political economy bear deeply on our understanding of the wider Middle East. The Gulf's dominant position in the regional political situation—as well as the growing influence of Gulf businesses in key Arab economic sectors such as real estate, finance, construction, retail, and agribusiness—is a striking feature of the contemporary moment. For this reason, there is an urgent need to position the Gulf as a core component of the study of political economy in the Middle East. Processes of class and state formation in the Gulf have significant implications not just for the Gulf region—they will continue to decisively shape the future trajectory of the Arab world for many years to come.

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Notes:

([1]) Spitz (1998); see also Chapman (1991).

([2]) Baldwin (1959: 10–11).

([3]) US Energy Information Administration (USEIA): http://www.eia.doe.gov.

([4]) Painter (1986: 155), see also Mitchell (2011).

([5]) Spiro (1999).

([6]) *BP Annual Review* http://www.bp.com.

([7]) Bromley (1991); Klare (2002); Harvey (2003); Stokes (2007).

([8]) El-Katiri et al. (2014: 2).

([9]) Anderson (1987: 9).

([10]) Mahdavy (1970: 428). Mahdavy noted that these rents did not necessarily have to be oil-based, mentioning other examples such as payments for pipelines or transportation routes (e.g. the Suez Canal in Egypt). He concluded, however, that oil rent was particularly significant because it was long-term and predictable (1970: 428–429).

([11]) Mahdavy (1970: 429).

([12]) Mahdavy (1970: 436); see also Niblock (1980); Abdel–Fadil (1987).

([13]) Mahdavy (1970: 437).

([14]) Rutledge (2014: 5).

([15]) Beblawi and Luciani (1987). Beblawi and Luciani adopt an ideal-type definition of the rentier-economy, based on four features: (1) the rent from foreign sources; (2) it is the predominant economic activity (defined by Luciani as 40% of revenue); (3) the majority of the population is involved in the consumption and redistribution of rent rather than its production; and (4) the principal recipient of the rent is the government (1987: 86–88).

([16]) Skocpol (1982); Ross (2001); Jensen and Wantchekon (2004).

([17]) Ross (2001: 332).

([18]) Ross (2001: 332–338).

([19]) Springborg (2013: 302).

([20]) Ayubi (1995: 183).

([21]) Khalaf (1998); Al Naqeeb (2012).

([22]) Migdal (1988: 5).

([23]) See, for example, Crystal (1995).

([24]) Okruhlik (1999).

([25]) Moore (2004).

([26]) Maloney (2008).

([27]) Hanieh (2011).

([28]) Gray (2011).

([29]) Weber (1978: 54–55).

([30]) Norton (2001: x).

([31]) Weber (1978: 64).

([32]) Radice (2008: 1157). This view of the sharp separation between state and civil society is encountered within much social science theory, and is often characterized by a decidedly normative edge. The "state building" literature, for example, views successful states as those that wield their autonomy to facilitate markets, the rule of law, and functioning liberal democratic institutions through which individuals (all of whom are said to possess equal rights) are able to express their political choice (World Bank 2012). For scholars concerned with the political economy of development, analysis has focused on the so-called Developmental State—an attempt to explain the impressive growth rates of countries such as South Korea, Taiwan, and Japan on the basis of the supposed autonomy of their states (Amsden 1989; Wade 1990). This autonomy is said to enable a balance of contending social interests and well-coordinated government-led policies, prioritizing growth and domestic industrial development. Throughout all this literature, the ideal-type state is viewed as one in which the political and economic spheres are distinct and independent from one another.

([33]) Davidson (2012).

([34]) Ollman (2003: 202).

([35]) Hanieh (2013: 8).

([36]) Hirsch (1979: 58).

([37]) See McNally (1981) for a similar argument concerned with the question of "staples theory" in Canadian political economy.

([38]) Mitchell (2011); Hanieh (2011); Cowen (2014). One important side to this is the Gulf's preeminent role as a market for international arms and military sales, which constitutes another route for petrodollar recycling. From 2009 to 2013, Saudi Arabia and the United Arab Emirates were among the top five arms importers in the world. Taken together, these two countries alone were responsible for over 40% of all arms sales to the Middle East during this period (Wezeman and Wezeman 2014: 7).

([39]) This section draws on Hanieh (2011). See this book for a fuller discussion and concrete illustrations of the arguments.

([40]) Elsheshtawy (2008); Kanna (2011).

([41]) Aalbers (2008); Buckley and Hanieh (2014).

([42]) Daher (2008: 61).

([43]) Elsheshtawy (2008).

([44]) World Bank (2009: 56).

([45]) ANIMA (2009: 155).

([46]) GLMM (2014a).

([47]) GLMM (2014b).

([48]) GLMM (2014b).

([49]) GLMM (2014c). This figure does not include the UAE for which figures are unavailable but are likely of a similar magnitude.

([50]) Longva (1997: 100).

([51]) Dito (2014).

([52]) Khalaf (2014: 45–46).

([53]) HRW (2014: 7).

([54]) Kovessy (2014).

([55]) Gambard (2009: 65).

([56]) The exception to this trend is found in sectors such as high-level management, banking, and finance, where a different type of migrant worker can be found (usually from Western countries).

([57]) Buckley (2014).

([58]) Hanieh (2011).

([59]) Vitalis (2007); Hanieh (2011); AlShehabi (2014).

([60]) Fattouh (2014).

([61]) Saadi (2015).

([62]) Aissaoui (2013: 2); Alkhabeer (2014: 8).

([63]) It should be noted, however, that the surpluses accumulated by these states over recent years will likely allow them to deal with these budgetary pressures in the short-term.

([64]) Malecki and Ewers (2007).

([65]) *Guardian* (2014).

([66]) HRW (2013).

([67]) This has included a four-day strike of thousands of construction workers in the UAE in 2013, which, despite the arrest and deportation of strike leaders, was reported to have won a 20% increase in wages.

([68]) Hanieh (2014).

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