# On the powerful Gulf States: A Petrodollar and a Dream

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**Any reversal of neoliberalism in the Middle East would require challenging powerful Gulf States.**

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A striking feature of virtually all political developments in the Arab world today is the pivotal role of the six states of the Gulf Cooperation Council (GCC): Saudi Arabia, Qatar, Kuwait, the United Arab Emirates, Bahrain, and Oman. From the beginning of the Arab uprisings in late 2010, these states — in particular Saudi Arabia and Qatar — have been involved in a range of conspicuous financial, diplomatic, and military initiatives, acting as the most important Arab conduits of US and European Middle East policy and working to undermine and steer the orientation of struggles across the region.

Three Gulf states — Saudi Arabia, Oman, and most notably, Bahrain — experienced their own large-scale protests, which were met with violent state repression and quiet assurances from Western governments of continued support for the status quo. The West's unqualified endorsement of the oil-rich monarchies, reciprocated in the Gulf's own essential role in backing US and European policies in the region, reveals the pattern of joint interests that govern the Middle East today. It is this axis of power that must be placed center-stage in any understanding of the politics of the modern Middle East.

One consequence of the Gulf's newfound prominence is a growing interest by many on the Left in its social, economic, and political features. This is a welcome break with times past, in which the Gulf solicited little attention beyond a narrow circle of academic specialists all too often enamored with Orientalist tropes about tribal life in the Arabian Peninsula. Nonetheless, despite this widening concern, much analysis of the Gulf and its role in the region continues to rely on simplistic theories of "rentier states," religious and tribal factors, or the supposed rise of sectarianism — frequently peppered with lurid tales of monarchical decadence and profligate wealth.

Absent from these standard narratives, which often unconsciously echo the stereotypes found throughout the corporate media, is a deeper recognition of the profound changes that have ensued in the political economy of the region as a whole. Coming to grips with how this regional political economy operates, and the way it has changed over recent decades, is essential to explaining and interpreting the Gulf's ascendant political power.

As with much else in today's Middle East, a key place to start in understanding this regional question is the almost universal adoption of neoliberal policies by Arab governments from the 1990s onwards. The impact of these policies on various national class and state structures is well documented. What is less recognized, however, is that these policies acted simultaneously to reconfigure patterns of accumulation at the regional scale. Specifically, neoliberal transformation occurred in lockstep with the internationalization of Gulf capital.

Flush with oil surpluses through the 2000s, Gulf investors sought to expand into neighboring markets. As Arab countries opened up to foreign investment and sold off agricultural and urban land, industries, ports, telecommunications, and financial institutions, Gulf-based capital extended its reach across the region as a major beneficiary of liberalization.

The value of foreign direct investment announced by Gulf Arab investors in the Mediterranean countries exceeded those from any other region for the entire 2003–2009 period. More than 60% of all Gulf investments in the Mediterranean area went to Jordan, Lebanon, Egypt, Palestine, and Syria, and in these five countries the value of the Gulf's investments were worth more than three times that of the EU and twelve times that of North America. While these investment flows slowed in the wake of the global economic crisis, the Gulf was still responsible for the largest total value of investment projects announced in Egypt, Lebanon, Jordan, Palestine, Libya, and Tunisia from 2008 to 2010. Moreover, these figures considerably understate the extent of the Gulf's involvement in neighboring economies, as they do not include so-called portfolio investments in regional stock markets or direct bilateral loans and aid provided to governments.

The effects of these capital flows need to be incorporated into any assessment of neoliberalism in the Arab world. The dramatic restructuring of class relations that occurred in tandem with neoliberal reform not only enriched national capitalist classes backed by authoritarian states, it also acted to strengthen the position of the Gulf states within the wider regional order. To a deep extent, Gulf capital has become interiorized in national class structures, coming to dominate many of the leading economic sectors of the Arab world. For this reason, the Middle East should not be treated as an agglomeration of bounded, self-contained states in which the national is sharply demarcated from the international.

This is the hallmark of what has been described as "methodological nationalism," a privileging of the national space as the vantage point from which to interpret social phenomena. The problem with this approach is that social relations are not neatly circumscribed within national borders — flows of capital and labor, and the various policy frameworks that mediate them, act to tie different spaces to one another within a totality that transcends any state. National borders, of course, still play as important a role as ever, but the social relations that we are accustomed to see as situated within the "national" should properly be seen as an integral part of the supra-national, regional whole.

## Regional Polarization and Uneven Development

This perspective reveals a stark characteristic of the contemporary Arab world: the ever-widening unevenness in the regional political economy, expressed most sharply in the polarization of power and wealth between the Gulf and the rest of the Arab world. Despite the initial puncturing of real estate bubbles in cities such as Dubai, the Gulf states emerged relatively unscathed from the global crisis of 2008–2009, and since that time have continued to accumulate growing pools of surplus capital alongside the renewed rise in hydrocarbon prices from 2010 onwards.

On the other side, the ongoing stagnation of global markets — particularly in the case of the region's most important trading partner, the European Union — and the political and social crises that wrack states such as Egypt, Tunisia, and Syria, have further entrenched the hierarchies of the region. These different trajectories remind us that crises are never felt uniformly, and absent political challenge they are often a boon for those in positions of power.

There are many statistical indications of this growing divergence. According to a recent report from the Institute of International Finance (IIF), a "peak body" of the world's largest banks and financial institutions, the net foreign assets (gross foreign assets minus external debt) of the GCC countries rose from $879 billion in 2006 to $1.79 trillion by the end of 2012. By the end of 2013, this figure is predicted to reach over $2 trillion, a figure equivalent to more than 120% of the Gulf's GDP. At the same time, the net foreign assets of Egypt, Syria, Jordan, Lebanon, Tunisia, and Morocco have fallen from a surplus of $20.4 billion to a deficit of $24.3 billion.

The same divergences are seen in current account balances. In 2012, the six states of the GCC were estimated to have a total current account surplus of just over $400 billion, more than double their annual average from 2006 to 2010 (and, revealingly, also more than twice that of China in 2012). While the Gulf's surpluses have reached these record levels, the rest of the Arab world has seen its balance sheets face parlous decline. The aggregate current account balance of Egypt, Syria, Jordan, Lebanon, Tunisia, and Morocco reached an estimated total deficit of $35 billion in 2012, more than triple the average deficit over the 2006–2010 period.

Contrary to popular misconceptions, the enormous pools of capital in the Gulf are not simply held by state institutions or Sovereign Wealth Funds (SWFs). The *Financial Times* reported in mid 2013 that the levels of wealth held by GCC banks, private companies, and the wealthiest individuals and families reached $3 trillion, a figure that does not include wealth held by SWFs. Privately held wealth in the Gulf grew by 7% over the last year, and is now at a level 10% higher than in 2007 — the peak of the boom years that preceded the global downturn. One remarkable indication of this is the Gulf's proportion of millionaire households. According to a recent report by the Boston Consulting Group, countries from the GCC occupy five out of the top eleven spots for the proportion of millionaire households at a global level, with tiny Qatar ranked number one in the world (14.3% of households).

Of course, this wealth is not spread evenly throughout the GCC and, most significantly, these figures ignore the presence of millions of low-paid, temporary migrant laborers who make up the vast majority of the Gulf's workforce. Indeed, one of the key reasons underlying the polarization of wealth in the Arab world is found in the presence of these workers in the Gulf. Faced with the crisis of 2008–2009 and the collapse of the property boom in Dubai and elsewhere, the Gulf states were able to utilize their heavy reliance on temporary migrant labor — equivalent to at least half of the labor force in all the GCC states — to offload the worst effects of the crisis onto those neighboring countries that provide the region with its easily deportable and highly exploitable workforce.

Thousands of temporary migrant workers were sent home from the Gulf in the wake of the crisis, while recruitment of new workers slowed dramatically. From 2008 to 2009, the outflow of Indian workers to the United Arab Emirates fell by 62.7%, to Bahrain by 45%, and to Qatar by 44%. For Bangladesh, the number of workers traveling to Saudi Arabia and the UAE (the destinations of more than 60% of all Bangladeshi overseas workers), fell by 89% and 38% respectively in 2008 and 2009. For Pakistan, the number of registered overseas workers in the Gulf also fell precipitously — for workers going to the UAE (the largest destination of overseas Pakistani workers) there was a 36% drop, to Qatar a 60% drop, and to Kuwait a 75% drop in 2008 and 2009. In the Arab world, one indication of the Gulf's ability to displace the effects of crisis to its surrounding peripheries was seen in the drop in worker remittances to Yemen (a 17.7% fall) and Jordan (5.2%) during 2009.

These figures confirm the particular way in which the class structures underpinning Gulf capitalism shaped its response to the global crisis. Unlike other countries in the region that had to deal domestically with rising unemployment pressures and the drying up of export markets, the Gulf states were able to displace the worst effects of the crisis onto those surrounding countries that had formed the supply lines of the massive temporary workforce underpinning class formation in the Gulf. This was labor market flexibility writ large, an indication of the hyper-capitalist dystopia that hides behind the Gulf's ebullient self-image as playground of the super-rich.

## The Political Question

Overlaying these regional patterns is, of course, the pivotal position of the Gulf states in the structure of imperialist power. As oil-based global capitalism fully consolidated in the wake of the Second World War, the Gulf was consciously integrated as a key pillar within the architecture of US domination that arose during that period. Two important features of contemporary capitalism — the internationalization and financialization of capital — gave the Gulf's commodity exports and financial surpluses enormous strategic weight within the global political economy. For these reasons, control and domination of the Middle East has remained an essential goal of Western powers well into the twenty-first century. The US, Britain, and other states offered unequivocal military, political, and other protections to the Gulf monarchies in return for ensuring the uninterrupted flow of hydrocarbons into the world market at the right price, and the steady redirection of petrodollar surpluses into Western financial markets (most importantly, US Treasuries).

These features of the relationship with the Gulf remain overriding concerns today, particularly in the context of the rise of potential rivals to US power. The reliance of these emerging powers on Gulf oil (as well as gas and petrochemicals) means that US domination of the region takes on an even more pronounced importance today. India, for example, imported 44% of its crude oil from Saudi Arabia, Kuwait, Qatar, and the UAE in July 2013, up from 36% in 2011. China now relies on the Gulf states for a quarter of its imports, compared with 21% in 2007. While the interdependencies that exist between the US and Chinese economies mean that their relationship cannot solely be reduced to one of rivalry, continuing US domination of the Middle East nonetheless gives it a powerful potential source of leverage should the need arise.

The Gulf also retains a vital significance as a major market for Western states, particularly for weapons sales and various construction and engineering con-tracts. In 2011, US global weapon sales tripled to $66.3 billion, a record high that represented more than three quarters of the world's arms market. The principal reason for this jump in sales was entirely due to the Gulf states, with Saudi Arabia signing a massive deal to purchase $33.4 billion of weapons from the US — ranking it as the largest US customer in the world (99% of Saudi purchases of arms were from the US). In the same year, the UAE ranked third in purchases from the US ($4.5 billion). From 2008 to 2011, Saudi Arabia ranked number one in global arms purchases of all countries in the Global South, constituting more than one quarter of all arms transfer agreements in those four years.

The US is not the only Western country benefitting from this vast arms bazaar; German newspapers reported in August 2013 that the country's military sales to the Gulf, principally Qatar, were set to reach record levels this year. Britain has also come under heavy criticism for its sale of crowd-control equipment, guns, and ammunition to Bahrain while the kingdom was engaged in fierce repression of domestic protests.

The umbilical cord that ties the Gulf states to Western power is not separate from the neoliberal transformation of the region discussed above — both represent different modalities of the way that the Middle East is inserted into the world market. The Gulf's existential stake in maintaining both its relationship with imperialism and the continuation of the region's uneven and combined development brings with it profound political implications. It is for this reason that the leading GCC states — notably Saudi Arabia, Qatar, Kuwait, and the UAE — have taken a much more aggressive role in attempting to steer the outcomes of the revolts that have shaken the Arab world over the last three years.

Western interests in the region are now largely articulated through the Gulf states in both a political and an economic sense. This does not mean that there are no rivalries or differing perspectives between the Gulf and Western states, or within the Gulf itself, but these rivalries need to be situated within a framework of shared interests that recognizes that the Gulf's location at the apex of regional hierarchies is a consequence of the same processes that have generated the conditions for mass revolts in the first place.

## Egypt and Syria

These dynamics can be seen clearly in Egypt and Syria. In both countries, uprisings against authoritarian regimes have similar roots — the dispossession and exclusion of the majority of the population as a result of neoliberal reform, and the enrichment of a tiny layer of elites closely connected to authoritarian regimes, overlaid by a global crisis that considerably deepened the polarization of wealth and power.

In the case of Egypt, the Gulf states have played a leading role, since the ousting of Hosni Mubarak in February 2011, in attempts to mute the extent of political and economic change. In the first phase, this took place with the strident and clumsy backing by Qatar of the Muslim Brotherhood (MB), whose leadership attempted to continue along the same neoliberal trajectory as the Mubarak regime while outlawing strikes, demonstrations, and other mobilizations. In the second phase, following the overthrow of the Brotherhood by the Egyptian military in mid 2013, the rush of aid and political support from Saudi Arabia, the UAE, and other Gulf states continues to underpin the military's repression of supporters of the MB and the wider social and political movements. In both phases, the Gulf's political and economic power has been squarely aimed at returning Egypt to a reconfigured status quo, through quashing any attempt at addressing the grievances that sparked the uprisings.

In the case of Syria, the Gulf states, led particularly by Saudi Arabia, are engaged in an ongoing attempt to cultivate influence and support among the forces waging a struggle to topple Assad's regime. Most recently, this was indicated by reports that the Saudi monarchy had allegedly agreed to fund and organize the training (through Pakistan) of the Army of Islam, a force established in late September through the coming together of over forty Syrian rebel groups.

Nonetheless, while Saudi Arabia, Qatar, and the other Gulf states have consistently sought to extend their influence over various Syrian armed groups, this should not be taken to imply that the uprising itself can be falsely painted as a mere extension of those states (much less US imperialism). The movement to overthrow the Assad regime, in which the "Islamic fundamentalist" strain is a minority (although one that appears to be growing), faces both the regime's armed power and the attempts to entrench sectarian divides.

The Gulf is a key actor in the latter tendency, and in this sense, the Syrian uprising faces two very difficult struggles — one against the regime itself and one against the pernicious influence of forces allied with the Gulf. In this context, the deliberate strategy of brutalization and dispossession waged by the government means that time plays very much against the fortunes of the uprising. This understanding helps to explain the apparent rapprochement between the US and Russia over attitudes towards the Assad government, with both world powers appearing to seek some kind of continuation of the regime for at least the coming period.

In the longer run, it is likely that all external forces are jostling for their own version of the situation that transpired following the uprising in Yemen, with a largely cosmetic change that removes Assad but maintains the core of his repressive state and its ability to defend the interests of both domestic elites and the regional balance of power.

## _Rivalries

Interwoven with the clear unanimity of interests that mark the Gulf countries and Western power in the Middle East — rooted ultimately in the way that the region has developed over the recent neoliberal period and its ongoing centrality to the balance of global power — are the rivalries that nonetheless continue to exist between different states. Internal to the GCC itself, this has been expressed most sharply in the political sparring between Qatar and Saudi Arabia, with both states backing different, contending Islamist movements across the region (Qatar, the Muslim Brotherhood, and Saudi Arabia, various strains of Salafism.)

The events of 2013 in Egypt were a clear indication of these inter-GCC rivalries, with Qatar condemn-ing the overthrow of the Muslim Brotherhood's Mohammed Morsi by the Egyptian military, while Saudi Arabia, Kuwait, and the UAE strongly cheered the military's actions. Indeed, over $12 billion in various forms of aid was provided to the new military government in the immediate aftermath of the coup by the latter three Gulf states.

Similarly, in the case of the US and the Gulf, the US government's apparent warming of relationships with Iran over recent weeks has been met with a disapproving response from Saudi Arabian officials (as well as from Israel, in a clear demonstration of the other side to the joint interests that exist across the region). These conflicts were powerfully highlighted when Saudi Arabia turned down a two-year seat on the UN Security Council in November 2013, with Saudi officials pointing to the lack of international intervention in Syria, as well as strains with the US over the latter's resumption of negotiations with Iran, as the reasons for its rejection of the seat.

While these tensions are undeniably real, they should not detract attention from the salient fact that all the Gulf states and the US continue to share a common perspective on the region as a whole. There is no indication to suggest that any of the Gulf states fundamentally disagree on the trajectory of Egyptian neoliberalism, whether steered by the Muslim Brotherhood or a military-led government, or the nature of the regional order constructed by Western states over the past few decades. We should not mistake contingent, temporary differences of opinion, or the continuing reality of national rivalries, for any fundamental strategic divergence over the future of the region as a whole. Indeed, in many ways, the coexistence of the different tactical orientations of these various powers acts to reinforce in their diversity a common overall trajectory, enabling the axis of US-Gulf power to reproduce itself as a hegemonic force.

## _Challenging Gulf Power

A major conclusion emerging from this narrative is that any reversal of the patterns of neoliberal development in the Middle East, and the region's subordination to Western power, is necessarily tied up with challenging the Gulf itself. For this reason, political struggles in the Gulf are immensely significant, and form a direct continuity with those found elsewhere in the Middle East. The case of

Bahrain clearly stands out in this regard, where despite severe repression by the al-Khalifa regime, protest movements continue to mobilize across the country. During 2011 and 2012, demonstrations also broke out in Saudi Arabia, Oman, and Kuwait involving citizen populations who felt politically and economically excluded from the enormous wealth of these states.

These struggles have received far too little attention (and solidarity) both within and outside the region. But beyond these movements, a vital element of challenging capital and state in the Gulf must be the defense of the region's migrant workers. The exploitation of these workers is an integral part of how working classes have formed in the Middle East and is essential to the ways that Gulf capitalism continues to project its power and deal with crises.

There needs to be a serious attempt to build cross-regional campaigns with workers who come from beyond the Middle East, based on the extension of the rights of citizenship, the right to organize, and working conditions. Workers from India and the Philippines, are part of the region's working classes — not foreigners, "guest workers," or "domestics." There are huge barriers in the way of such campaigns (linguistic, cultural, and political — not to mention the entrenched racism against migrants found throughout much of the Arab world), but to abstain from this struggle only further reinforces the fracturing of class solidarity across the region. It is noteworthy, for example, that the killing of two migrant workers in Saudi Arabia in early November during a deportation campaign that saw the arrests of tens of thousands of migrants, elicited little comment from either inside or outside the Gulf. It is estimated that a remarkable one million migrant workers have been forced to leave Saudi Arabia (the world's second largest source of remittances, after the US, from 2006 to 2012) in just the last three months.

There are no long-term, national solutions to the problems facing the Middle East that leave the control of such immense wealth in the hands of so very few. This is not meant to imply, of course, that revolutionary movements will immediately start from the regional scale without passing through a confrontation with national ruling classes. But the point is to see these different scales of struggle as inseparable. Without a regional orientation that points strategically to tackling the position and power of the Gulf monarchies, there will be no fundamental change in the region.

In 2014, the notion of a pan-regional struggle might seem utopian, but the events of the last few years confirm its necessity — and it is exactly this specter that has provoked such great concern in the corridors of power in Washington, Riyadh, and Doha.

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## P.S.

* "A Petrodollar and a Dream". Jacobin. Issue 13: Alive in the Sunshine Gulf States:
https://www.jacobinmag.com/2014/01/a-petrodollar-and-a-dream/

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