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Book Review

# Anatomy of the Oil States

- Reviews section -

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**It's taken for granted that the upheavals in much of the Middle East " and great-power decisions about which conflicts are worthy of "humanitarian intervention" and/or "regime change" " have a lot to do with oil and who profits from it. But understanding the dynamics behind the headlines requires more detailed and careful analysis. Adam Hanieh's *Capitalism and Class in the Gulf Arab States* is a welcome materialist contribution.**

Most analyses of the countries that constitute the Gulf Co-operation Council (GCC " Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Oman and Bahrain) revolve around an institutionalist view that sees state formations as solely responsible " like magicians conjuring up new realities " for the social relations that distinguish these societies.

The dominant academic conception of the GCC societies rests on a theory known as the rentier-state framework. Essentially this view posits that rentier-states include particularly hierarchical structures, due to their preferential access to one or another vital resource " in the GCC context, obviously meaning oil and natural gas " which they rent out to the rest of the world at a price advantageous to their development.

Against the rentier-state framework, Hanieh shows how the GCC countries arrived at their present form in a dialectical relationship with the dominance of the world market in the post-World War II era. Central to Hanieh's piece is the notion that the development of class, state and society generally in the Gulf Arab states cannot be conceived of apart from the larger patterns of the world market itself.

He traces the Gulf states' transformations through the global crisis and birth pangs of neoliberalism in the 1970s and 1980s, and finally through another transformation particularly following the Asian Financial Crisis in 1997-98, one in which a new capitalist class formation emerged " Khaleeji Capital, which Hanieh defines as "a set of social relations formed around the flows of value that occur between the interlocking of the circuits of capital across GCC member states."

Here, Hanieh moves away from a common misunderstanding of strategic commodities, such as oil, as more or less neutral resources able to provide sources of social power to whoever holds them. Instead, Hanieh posits something that ought to be common sense, especially among scholars: Oil's social power is not an intrinsic property of the resource itself but rather a consequence of the web of social relations in which it is embedded, namely the world market that requires fossil fuels " cheap but finite, and thus able to be owned and rented out " to maintain its industrial development.

## State Formation and Imperialism

The book begins with a historical exposition of the formation of the Gulf states and their relationship to colonialism, particularly the colonial policies of the British government. The only country that would later be a component of the GCC that was not under the sway of the British was the vitally important Saudi Arabia, which established a strong relationship with the U. S. government under the Franklin D. Roosevelt administration.

In 1943 the United States agreed to ensure the security of the Saudi regime from external and internal threats, so long as the Saudi monarchy kept the supply of oil flowing and sold these assets in dollars rather than any other

currency.

The decline of the British military presence in the Gulf accelerated after the end of the Second World War. It was in this context that the Nixon Doctrine developed in the late 1960s and early 1970s, under which the United States would prop up its regional allies (namely the Shah's Iran, Turkey and the GCC states) and let them police the region by proxy.

With the Soviet invasion of Afghanistan and the Iranian Revolution of 1979, Washington saw the opportunity to deploy its forces in the Gulf. The "Carter Doctrine" created a rapid deployment force "later to be reorganized as CENTCOM, whose jurisdiction initially enveloped North Africa, the entire Middle East and Central Asia, as well as the bordering areas of South Asia.

Hanieh notes that this process "which gradually drew U.S. military might into the region" was the military component of a broader economic arrangement between the GCC states and U.S. imperialism. The sudden and dramatic rise of oil prices in the 1970s, although triggered by the 1973 Arab-Israeli War, occurred alongside a process in which the state regimes of the GCC began to consolidate their ownership over their own oil production "not always or even mostly in the form of nationalizations, but rather through public-private partnerships.

With oil production bringing in enormous revenues to the state apparatus, an emergent capitalist class was nurtured via subsidies generated by these revenues as well as through the development of derivative sectors (i.e. petrochemicals) and industries servicing the oil industry itself (steel, transportation, etc.).

Oil would in turn be sold on the markets in dollars, thereby resulting in many nations (especially the GCC) accumulating a surplus of dollar-denominated assets, which in turn would allow the United States to run a large account deficit (by the recycling of these dollars in the form of Treasury bonds, for instance).

This transformation was not a foregone conclusion of these decades, however. Rather, the Gulf monarchies experienced an enormous amount of anxiety with the rise of anti-colonial, left-wing and nationalist currents within their own countries. [These struggles were chronicled in the classic study by Fred Halliday, *Arabia Without Sultans* (1975) ed.]

The rise of Nasser's Egypt and his example of nationalizing the Suez Canal (and a good portion of the rest of the economy) posed a direct threat to the kind of regimes established in the Gulf. Furthermore, the Gulf states were heavily dependent on migrant labor from other Arab states, particularly Egyptians and Palestinians who carried radical views with them.

The working-class of this region posed a particular potential threat to the functioning of the system as a whole, and the rise of left anti-colonial political ideologies contributed towards turning these into an actual insurgency.

## The System of Khaleeji Capital

Hanieh notes that one cannot ignore how "the critical centrality of the region to the making of global capitalism (and U.S. power) meant that the working classes of the Gulf presented a significant potential threat to capital accumulation at a global scale." (60)

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A series of policies were enacted to expel and limit Arab migration and instead to look toward another source of cheap migrant labor made possible by the GCC states' previous relationship to British colonialism: migrant labor flows from Pakistan, India, Bangladesh and Sri Lanka.

Consequently, "[t]he core of the state apparatus...went to members of the ruling family, while the concentric circles surrounding the core went to prominent merchant families and tribal allies of the ruler." (67)

The formation of these states now took on a peculiar structure with monarchies running the state apparatus, capitalists accumulating in tandem, and a large (but not always majority) section of actual citizens enjoying a social compact that saw employment, housing, subsidies, etc. as social rights albeit without any political freedom.

Hanieh explains how "the embryonic Gulf capitalist class that emerged around the productive circuit was thus excluded from any direct ownership or control of oil and gas. Instead, it pursued accumulation opportunities in other industries that were either derivative to the oil sector or were initiated with state assistance from accrued oil reserves." (69)

But capital, of course, is not a thing but rather a social relationship, and this only highlights one pole of the relationship. The other pole is habited by a large proletarian class made up of non-citizen migrants, who essentially enjoy no rights and have been pitted against one another in a race to the bottom. The conditions for working-class organization were thus precluded in these social arrangements from developing, explaining the relative quiescence of the Gulf Arab states compared to their other oil rich neighbors, Iraq and Iran.

Hanieh says of this altogether frightening arrangement, "The class itself is constantly being remade anew, foreclosing possibilities of developing generational continuity, any working-class culture and collective memory of struggle, or stable political organizations." (66) One can see in these social arrangements that they are not products of local circumstances alone or any kind of eccentricity among individual oppressive rulers, but rather are the consequence of relations within the system of global capitalism itself.

This is what Hanieh calls a spatial fix for capital, in which geographic arrangement of living and working space combined with political restrictions on the working class "and benefits paid for by massive oil revenues for the socially privileged citizenry" operated to prevent any threat to the social relations now in formation.

The formation of the GCC itself was just the beginning of a process that has culminated in the development of what Hanieh calls Khaleeji Capital. Under pressures from the world financial system, the governments of the GCC have developed a common market, a customs union and have worked to closely integrate their capital markets.

This internationalization of the capitalist classes of the various GCC states has worked to strengthen the capitalist class itself as well as the various state regimes.

Internationalization through regionalization is the formula Hanieh sets out, in which patterns of accumulation are set by regional processes rather than merely national development. Here he uses the example of Khaleeji domination of the Lebanese banking sector and the economy of the West Bank as examples, In Hanieh's own summary:

"A new capitalist class is developing in the Middle East. This new class, Khaleeji Capital, expresses the tendencies of internationalization through all moments of the circuits of capital and operates at a pan-GCC scale. Its internationalization is occurring at a regional scale. Khaleeji Capital represents a new set of social relations that are developing around pan-GCC accumulation opportunities; they are contemporaneous with "and are overlaid upon

“ongoing structures of national accumulation. These social relations more and more crystallize, articulate, and interpenetrate pan-GCC space. Consequently, accumulation is increasingly conceived at the regional scale rather than through a nationally bound perspective.” (104)

This process was set in motion primarily via the Economic Agreement between the States of the Cooperation Council (EASCC), signed at the Muscat Summit in 2001. The EASCC essentially sought to create “eventually” a European Union-like formation for the GCC, thereby increasing their leverage over the region and the entire world market. The treaty assisted in the consolidation of GCC conglomerates in the productive, financial and commodity circuit of industry “by enabling capital, goods, and citizens to move more freely across GCC borders.” (145)

This internationalization process was greatly aided by the doubling of world oil prices in the early 21st Century, then once again in dramatic fashion in the first months of 2008. This surplus capital was invested in further attempts to draw the citizenry into compliance with their various states' policies of accumulation (housing, education and other subsidies) while also furthering their reach into the world market, primarily through the buying up of U.S. equities and bonds.

Concerning this effect on the region itself Hanieh shows us that “the development of Khaleeji Capital, and the penetration of the regional economy by this class, places significant pressure on state elites to restructure the modes of accumulation within each individual nation state accordingly and align themselves with the accumulation patterns of the regional scale.” (164)

## Broader Factors

In general, Hanieh's analysis combines a masterful balance of understanding local along with global factors concerning state and class formation, avoiding both the pitfall of missing the role of the world-system itself and the opposite mistake of seeing all development in the world today as wholly reducible to activity at the global level (I would say this is the error commonly found in Noam Chomsky's work on imperialism).

This dialectic of local development and the world market leads to a lot more clarity than most rentier-state frameworks, which fail to explain the social relations that constitute these countries in any context beyond their immediate environment.

Furthermore, the original theoretical contribution offered in the text “Hanieh's analysis of Khaleeji Capital” seems to have enormous empirical validity, especially in that he assures us that the internationalization of GCC capital does not weaken, but rather strengthens, the specific states that constitute the GCC. Khaleeji Capital also helps us to navigate the intricacies of the regional and global politics played by the GCC countries, which have their own autonomous rhythms apart from the planning processes that take place in the halls of power in Washington.

Thus we get a portrayal of a region well integrated into global capital while its elites constitute something more than a mere “comprador” (imperial client) class. Rather, they have their own interests and foreign policy goals that dovetail with the broader agenda of imperialism, but may also depart from this (for instance, the orientation of the GCC countries towards Chinese markets for their energy resources).

The book's only weaknesses seem to be an under-appreciation of other regional factors that impact the GCC's quest for hegemony over the Middle East and North Africa's markets.

The roles of Iran, Turkey and Israel are not included in the discussion of the ways in which Khaleeji Capital operates. In particular, the GCC's role in supporting a network of regimes (including the now deposed Egyptian dictator Hosni Mubarak) that serve as the Arab guardians of Israeli apartheid is underdeveloped in the text.

Further, the rivalry between Riyadh and Tehran has been a major factor in the region's politics as of late, particularly since the U.S. war on Iraq led to the rise of pro-Iranian factions in Iraqi society. During the uneasy period between 2005 and 2007, when many saw the potential for a wider Gulf War involving Iran (which then Vice President Dick Cheney supposedly attempted "albeit unsuccessfully" to put on the agenda of the Bush Administration), a good deal of saber rattling was promoted by the Saudi regime itself.

We can now see the acceleration of the trends described in Hanieh's book as the GCC countries have maneuvered to make the best of the dramatic events of the "Arab Spring." Qatar has given financial and military assistance to the NATO-backed Transitional National Council in the Libyan conflict. The GCC has been active in brokering the uneasy compromise between the anti-government resistance in Yemen and the regime of Ali Abdullah Saleh.

Yet, the most important development has been the differential responses to social uprisings in places like Libya and Syria, as opposed to those in places such as Egypt and Bahrain. The Saudi rulers worked overtime to support Mubarak and sharply criticized the United States for turning on Mubarak in the final days of his regime, while they rushed to oppose the crackdown on civilian protesters in Libya and Syria.

The brutal crackdown in Bahrain is, however, the most illustrative. Bahrain, as one of the GCC states, is protected by the GCC treaty system which allows for military intervention to prevent external and internal threats to the member regimes. The broad layer of citizens of Shi'a origin made it clear that they want an end to the apartheid-like order imposed by the ruling Sunni monarchy, and their protests touched off solidarity demonstrations among Shi'a Arabs in Saudi Arabia.

When things looked as if they were going out of control, Saudi troops and other GCC soldiers and advisors flooded into the tiny Bahraini state, imposing "order" through the barrel of a gun with shootings, arrests and torture that continue today.

While screams of injustice and cries from U.S. representatives and allies for humanitarian intervention echoed in the halls of the United Nations concerning Libya, only feeble criticism was uttered by Washington at the bloodbath in Bahrain "which incidentally houses the massive U.S. Navy Fifth Fleet base that is instrumental to maintaining U.S. military hegemony in the region and the Indian Ocean.

In short, the blood on the streets of Bahrain is a clear testament to the solidity and repressive strength of Khaleeji Capital, which will defend its interests by any means necessary "including inviting foreign soldiers into their territories. Adam Hanieh's book has already given us a greater theoretical clarity for trying to understand some of the forces involved in this monumental social upheaval and events approaching us in the near future.

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