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# Oil and the political economy in the Middle East: Overcoming rentierism?

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## Introduction

The final chapter of this volume focuses on the changing political economy in the Middle East. It initially examines what we believe are the most evident consequences of the post-2014 oil price decline. Although by no means in a comprehensive way, we also touch upon some of the most pertinent effects of the shock induced by the economic slowdown as triggered by the COVID-19 pandemic in 2020. First, migrant workers in the Arab Gulf are the main social losers of policy adjustments post-2014. They are the majority of the population in the oil rentiers, but their social and political positions are weak. Second, citizens who are predominantly employed in the well-paid public sector proved to be capable of repelling burdensome adjustments. This was, on the one hand, the result of social resistance and, on the other, the outcome of deeply entrenched informal ties to the ruling families. Third, adjustment policies post-2014 show some of the institutional weaknesses characteristic of rentier states. These weaknesses often hindered the policy coordination necessary for proper formulation and implementation of adjustment policies. Fourth, for the three semi-rentier states dealt with in this volume – Egypt, Jordan, and Lebanon – the expectation that they could profit from the oil price decline in 2014 has not been fulfilled. The short-term positive effect of a reduced energy bill that lowered the budget deficit quickly evaporated with no significant fiscal reform being initiated.

Beyond some of the empirical consequences of the post-2014 oil price decline, this conclusion also highlights three conceptual dimensions that we consider relevant for the theoretical advancement of rentierism. First, we argue that it is important to bring state–class relations back into the discussion. We emphasise that a theoretical revision of rentierism on the basis of the state–class concept might help to sharpen our understanding of adjustment policies within the rentier and semi-rentier states in the Middle East. Second, we stress the importance of institutions during periods of policy adjustment within countries shaped by the inflow of hydrocarbon resources. As this is an issue which has been rather neglected in the broader theoretical debate on rentier states, more attention should be given to the country-specific institutional set-ups in order to better comprehend the dissimilarities in adjustment policies between the different rentier and semi-rentier states. Third, we explore the issue of rentier state autonomy by calling for a more nuanced understanding in that regard. By recognising several scope conditions, we suggest a context-specific understanding of state autonomy within rentier states. In the final section of the conclusion, we reflect on our results by discussing the appropriateness of rentierism in light of the oil price declines of 2014 and 2020. We argue that rentierism is still highly relevant with regard to both empirical dynamics in the Middle East and academic discussions on its political economy.

## Social losers of adjustment policies in the Arab Gulf

Labour migrants are the primary losers of the domestic adjustment policies implemented in the Arab Gulf since 2014. This was again confirmed in the immediate aftermath of the COVID-19-initiated economic slowdown. As emphasised in the contributions of Gray (2021) on Qatar, Hoetjes (2021) on Kuwait, and Young (2021) on the United Arab Emirates (UAE), and confirmed by the findings in this volume's chapters on the other Gulf Cooperation Council (GCC) members, rentier states in the Arab Gulf have treated migrant workers as a pivotal source of government revenue and increasingly imposed fees and taxes, many of which are exclusively geared towards foreigners.

Migrant workers represent the majority of the labour force throughout the GCC countries: well over 90 per cent in Qatar, at least 80 per cent in the Emirates and Kuwait, and about 75 per cent in Bahrain and Oman. Only in Saudi Arabia does the local population make up almost half of the workforce (Diop *et al.*, 2018: 36). Migrant workers do not have organisational power in any of these countries: employers of migrant workers issue temporary contracts only and must personally vouch for them. The *kafāla* (sponsorship) system weakens the position of migrant workers further by restricting or even excluding the possibility of changing employers within the country, let alone between the GCC countries. Even leaving the country before the fulfilment of a contract is usually not viable because – except for the relatively few expatriate workers coming mostly from the Organisation for Economic Co-operation and Development countries – income-generating opportunities and working conditions in their African, Asian, and Arab home countries are significantly worse than in the Gulf.

The *kafāla* system is highly controversial, not only for ethical but also for economic reasons. The system has a negative impact on productivity. Due to the limited duration of contracts by default, neither employers nor employees have an interest in primary and continuous vocational training. Furthermore, the inflexibility of the *kafāla* system has created a layer of local intermediaries who, by trading visas for a fee, help to cushion its negative effects, thereby, however, creating another cost factor of an inefficient system stuck in rentierism. Prior to the oil price decline of 2014, some of the regimes in the Arabian Gulf were considering reforms of the *kafāla* system. Yet, with the partial exceptions of Bahrain and the UAE, serious attempts to implement reforms were only made after 2014 in Kuwait, Saudi Arabia, and Qatar (Diop *et al.*, 2018: 38–42). However, all reform projects have, for the time being, either failed or have been watered down to such an extent that the *kafāla* system continues to exist with no substantial alterations.

Migrant workers have paid by far the highest price for post-2014 adjustment policies in the Arab Gulf. They again did so as an immediate consequence of the COVID-19-induced oil price decline, which the regimes in the Arab Gulf used to aggressively promote nationalisation of the workforce. This confronted migrant workers with unemployment without social cushioning and the loss of residency (ILO, 2020: 11, 15–16). At the same time, the GCC countries failed to implement sustainable labour market reforms. Instead, several policies were initiated to more systematically subsidise wages of citizens employed in the private sector (Mogielnicki, 2020).

Beyond migrant workers, who have been most struck by the fallout, other segments of society have also been affected. As the oil price drop in 2014 has constrained the Arab Gulf states to further expand their public sectors, youth unemployment rates have become a more pressing issue (Aftandilian, 2017). In the present volume, Ennis and Al-Saqri (2021) highlight high unemployment rates among the youth in Oman, which is particularly a problem for women. Moreover, austerity measures such as subsidy cuts for electricity, water, and fuel, as described in detail by Ennis and Al-Saqri (2021) on Oman, Young (2021) on the UAE, and AlJazeeri (2021) on Bahrain, are felt harder by the poorer segments of the local population because they spend relatively more of their income on everyday goods. In the immediate aftermath of the COVID-19 economic slowdown, it became apparent, for instance, that women, who are over-represented in both paid and unpaid care work, were disproportionally negatively affected (ILO, 2020: 6).

## Social constraints of adjustment policies

The existing literature has portrayed the influence of private-sector actors with a specific focus on business associations as particularly influential in shaping governments' adjustment policies during fiscal crisis within rentier states (e.g. Chaudhry, 1989; Lawson, 1991; Moore, 2002). Across these contributions, only very little reference is made to the impact of other social groups upon the choice of government reactions. The period of the post-2014 oil price drop, however, provides complementing evidence on some of the social constraints which exist for adjustment policies in the Middle Eastern oil rentiers.

Although since 2014 the Gulf states have taken a number of policy measures to cushion the budget deficits caused by the drop of oil revenues, they have not yet formulated, let alone implemented, truly structural reform measures, as discussed in the introductory chapter of this book (Beck and Richter, 2021). Also, the immediate response of the regimes to the crisis triggered by the COVID-19 pandemic does not bear witness to significant structural reform initiatives and was largely in line with previous policy initiatives (Mogielnicki, 2020). In the immediate years after the 2014 price drop, privatisation of public enterprises was not high on the agenda, while attempts at making the necessary structural reforms in the labour market and the public sector failed, in particular where these reforms would have directly affected citizens. Public protest or the threat of protest was central to this failure.

A prominent example relates to attempts to reduce salaries in the public sector, a segment which is largely reserved to citizens. In autumn 2016, for instance, the Saudi cabinet decided to cut the lavish bonuses in the public sector but reversed this decision in April 2017 after protests were called for in several cities across the country via social media (Reuters, 2017). As Mason (2021) points out in his contribution to this volume, parts of the Saudi Vision 2030 were revised due to the overarching importance of public-sector wages and social benefits for sociopolitical stability in Saudi Arabia. In Kuwait, where public wages make up more than half of current government expenditures (Hoetjes, 2021), the first oil workers' strike in twenty years took place in April 2016 as a response to government plans to reform the public-sector wage system and privatise parts of the state-owned oil company. After three days of protests, the reform measures were withdrawn, and shortly afterwards the government even announced a pay rise of 7.5 per cent (Arabian Business, 2016). No other serious effort in the immediate years after the 2014 oil price decline was made by the Kuwaiti government to reduce the public-sector wage bill (Hoetjes, 2021). As for Bahrain, AlJazeeri (2021) points to a close correlation between public unrest and the rise in current expenditures on wages in the public sector. Hence, she highlights the political nature of government expenditures during fiscal crisis as a key structural component of rentierism.

The case of Oman exemplifies the constraints of rentier states in the face of shrinking oil income per capita and simultaneous population growth. Muscat increased fees for government services, cut subsidies, and took a number of measures to increase the participation of nationals in the private sector. Yet, later in the autumn of 2017, when demands for the creation of new jobs attracted nationwide attention with more than 600,000 tweets and retweets on Twitter (Mukrashi, 2017a), the Omani cabinet responded immediately by announcing the creation of 25,000 new jobs for citizens (Ennis and Al-Saqri, 2021). However, when implementation turned out to be slow, in January 2018 young graduates took to the streets in several Omani cities. The previously made commitments were then hastily affirmed.

## Policy adjustments and institutional weaknesses

A common feature cutting across the literature of rentierism is the argument that states built upon hydrocarbon income experience institutional dysfunctionalities at the domestic level. In other words, oil-rich countries suffer from an 'institutional curse' (e.g. Selim and Zaki, 2014; Blanco *et al.*, 2015: 239; see also Ross, 2015: 248–50). Since state institutions in rentier states are built and maintained for patronage, they tend to be vertically segmented. In other words, the state bureaucracy is organised along extended clientelist networks. Thus, as Hertog (2006) argues, rentier states in the Gulf developed structures of 'segmented clientelism', which constitutes a polity based on parallel, impermeable institutions with little communication between them. During fiscal crises, these institutions are then largely unable to coordinate horizontally in order to solve conflicts (Yamada, 2020). Country studies of this volume provide notable evidence of this institutional weakness.

In Bahrain, inefficient government institutions are among the key characteristics of one of the oldest rentier states in the Middle East. During the 1950s and 1960s, while still under protection of the United Kingdom, oil revenues were as high as 75 per cent of total government revenues (Lawson, 1991: 45). As AlJazeeri (2021) highlights in this volume, official government rhetoric has claimed that post-2014 adjustment policies initiated structural reform. Yet, this was actually not the case, since the adjustment policies implemented were contradictory and not suitable to fix the distorted institutional structure of governing institutions. Kuwait is another example of how existing institutional structures may hinder the implementation of adjustment policies within rentier states. Against the backdrop of conflicts over succession in the ruling family, the emancipation of tribal segments from Kuwait's ruling family, and the formation of a newly emerging youth movement apt to organise social protest, Hoetjes (2021) argues that, following the 2014 oil price decline, the Kuwaiti parliament evolved as the centre of opposition to almost all of the government's austerity measures. This institutionalised resistance has not only led to the withdrawal of plans to cut subsidies for citizens but also created a context in which most of the austerity measures were imposed on non-citizens only. In Saudi Arabia, policy adjustment based on the grand strategy of Vision 2030 was headed by the young prince and new strongman Muhammad bin Salman (MBS) (Mason, 2021). This plan emphasises the development of new economic sectors like entertainment, leisure, and tourism in order to reduce the dependence on oil. Since 2015, Saudi adjustment policies have been complemented by a centralisation of the decision-making process within the royal family. This was going hand in hand with an unprecedented marginalisation of the religious sector, especially a deprivation of the Saudi religious police (Bashraheel, 2019). However, Saudi post-2014 adjustments also provide examples of institutional weaknesses with regard to the implementation of reform policies. For instance, as highlighted by Al-Sulayman (2020) as 'reform dissonance', the period since 2014 is characterised by contradictory policy outputs due to the lack of communication and coordination between different institutional bodies within the Saudi bureaucracy.

Qatar's and the UAE's management of post-2014 policy adjustments differ from the other GCC members. As demonstrated by Gray (2021), policy adjustment policies in Qatar have shown a relatively high degree of dexterity and efficacy despite being embedded in institutions shaped by rentierism. This is all the more remarkable since policymaking was complicated due to the conflict escalation between Saudi Arabia, the UAE, and Bahrain versus Qatar, which led to a complete blockade of Qatar by its neighbouring GCC members. A major reason for this relative success is that Qatari leaders lean towards promoting economic growth and market confidence, thereby possibly avoiding some of the institutional weaknesses characteristic of rentier states. In the UAE, too, post-2014 adjustments worked rather smoothly as new stimuli for increasing government revenues beyond oil and economic diversification were set. Key to that, as pointed out by Young (2021), is the competitive policy environment within the UAE's federal system. Traceable to the pre-2014 period with Dubai as an accelerator of diversification, this created a policy flexibility, which took centre stage post-2014 and helped the central government to implement adjustment policies rather successfully in various areas such as fiscal policy and social development. However, it must be emphasised that neither Qatar nor the UAE have yet tackled necessary deep structural reforms, for instance in the fields of the labour market and income taxation policies.

Besides the domestic level, Arab Gulf states have also responded to the post-2014 oil price decline through mainly two intergovernmental organisations. These are the Organization of the Petroleum Exporting Countries (OPEC) and the GCC.[1] These institutions' contributions to absorbing the consequences of the oil price erosion differ widely: in the immediate aftermath of the oil price decline in 2014, GCC members failed to find a joint strategy to address the impacts of the oil price decline (Hassan, 2015). Yet, as highlighted by Young (2021), in late 2015, GCC members resumed an older initiative of implementing a value-added tax (VAT) of 5 per cent and agreed on a plan to introduce VAT by January 2018. However, despite its rather low ambition in terms of increasing government revenues, the reform so far has only been implemented by Saudi Arabia and the UAE in 2018, and Bahrain a year later (Mogielnicki, 2019: 2). That Saudi Arabia unilaterally decided to raise its VAT in summer 2020 confirms our observation of the diminishing role of the GCC as a policy-coordinating regional institution.

OPEC needed some time to absorb the shock of the 2014 oil price decline, too. However, after a failed attempt to bring in its major competitor, Russia, in April 2016 (Beck, 2016), the organisation finally managed to do so later in that year, thereby realising the ambitious project of creating OPEC+, which responded to the shock of the 2014 price decline by implementing production quota (Richter, 2017: 5; Beck, 2019). The resulting upsurge on oil prices was a notable – albeit limited – success of this first effective coordination among oil producers after the oil price drop of 2014. Strikingly, OPEC+ managed to repeat this relative success in the immediate aftermath of the price crisis triggered by the COVID-19 pandemic. Buttressed and pressed by then-US President Donald Trump, who intended to save the American oil industry from bankruptcy, OPEC+ reached an agreement, effective in May 2020, that set up a record-high reduction in oil production of 9.7 million barrels per day from May till July (Bremmer, 2020). After a partial recovery of oil prices from a historic low of less than USD 15 in late April 2020 to around USD 40 in the period from May to July, OPEC+ was able to continue its cooperation by slightly reducing cuts from 9.7 to 7.7 million barrels per day (El Gamal *et al.*, 2020).

A first conclusion to be drawn from these findings is that in oil-rentier states those institutions entrusted with generating rents tend to have stronger incentives to provide effective solutions. Second, the difference in ambition and implementation between policy adjustment initiatives coordinated by GCC and OPEC+ is also remarkable because classic rationalist approaches based on game theory would expect a different outcome: OPEC – and this is true for OPEC+ too – faces what Martin (1992: 769–70) terms a 'collaboration game' in which all actors have a strong incentive to defect, as this behaviour would lead to immediate benefits (see also Mason, 2021): if a member of OPEC exceeds its quota, its individual oil-rent income will increase. The GCC, however, plays a 'coordination game' (Martin, 1992: 775) which only appears difficult to solve if there are major distributional conflicts between the engaged parties. Yet, a growing competitiveness among GCC members notwithstanding, this does not apply to the present case, as the benefit of introducing VAT by a single GCC member is not highly affected by the decisions of others introducing the same taxation level.

However, Putnam's (1988) concept of two-level games hints at a solution to this puzzle. He argues that in international negotiations states not only face other states as opponents with whom they must find an agreement, but also need backing from pertinent domestic actors. Vis-à-vis their societies, OPEC+ members were in a more favourable position to collaborate on production controls than GCC members regarding the introduction of VAT. The reason is that, contrary to the imposition of a new source of domestic government revenue such as VAT, no relevant domestic interest against absorbing the country's fall of rent income existed. Thus, even though the GCC was much quicker than OPEC+ in finding an agreement, the former could not easily prevail against vested interests at the domestic level.

In fact, contributions in this volume – AlJazeeri (2021) on Bahrain, Ennis and Al-Saqri (2021) on Oman, and Hoetjes (2021) on Kuwait – provide evidence that these three non-complying GCC members have refrained for the time being from introducing VAT because societal actors successfully lobbied against its implementation. Arguably, the introduction of VAT in Bahrain, Saudi Arabia, and the UAE correlates with a higher degree of authoritarianism there, which provides ruling regimes with more leverage to push through potentially contested policy reforms. The ability of the Saudi regime to raise its VAT from 5 to 15 per cent in the immediate aftermath of the crisis induced by the COVID-19 pandemic points in the same direction. Findings from Freedom House (2020) support this understanding by showing that political rights and civil liberties are curtailed to a higher degree in Saudi Arabia, Bahrain, and the UAE than in Oman, Qatar, and Kuwait, the latter country being ranked as the only 'partly free' GCC member states.

## The semi-rentier states: Failed opportunities

For several reasons, the 2014 drop in oil prices raised expectations that the economies and state budgets of the semi-rentier states Egypt, Jordan, and Lebanon would benefit from the oil price drop. First, as the decline in oil prices reduced production costs in all net oil-importing countries, this should have led to stimulating effects within the domestic economy with potentially rising tax revenues. Moreover, the lower energy bill should have enabled governments to abolish subsidies with positive effects for other spending items or the repayment of debt. Second, employment for Egyptian, Jordanian, and Lebanese migrant workers in the Gulf states was expected to shrink, which would have had selected positive effects for the domestic economies in a twofold way. The brain drain from skilled-worker migration could have been reduced. Moreover, lower amounts of inflowing remittances would have mitigated the Dutch-disease effect, which in turn could have contributed to a reduction in the overvaluation of local currencies, thereby encouraging local productivity. Third, the expected cutbacks of budget-to-budget transfers from the Arab Gulf states to the semi-rentiers would have created an incentive to cut subsidies and expand state capacities in extracting taxes. However, the empirical findings from the chapters on Egypt, Jordan, and Lebanon presented in this volume differ from these presumptions.

Both the Egyptian and the Jordanian regimes tried to use the drops in their energy bills as leverage to cut subsidies. However, the Egyptian approach was rather limited, and the more ambitious Jordanian attempt faced significant social opposition. At the same time, neither Amman nor Cairo made a substantial effort to launch fiscal reforms. This is linked to the fact that the development in remittances and foreign aid inflows took different directions than assumed. In both cases, foreign aid payments remained at a high level. In Egypt, the decline since 2015 was much less than to be expected after the previous year's boom of aid payments by Saudi Arabia and the UAE in support of Field Marshal Abdel Fattah el-Sisi's usurpation. While foreign aid from the Gulf to Jordan halved during the period 2014 to 2018, overall foreign aid to Jordan remained on a high level, also because the West maintained its support for the regime in Amman. In both countries remittances also persisted on a surprisingly high level: they remained constant in Jordan, whereas in Egypt – after a slight decrease in the immediate aftermath of the 2014 oil price decline – they even skyrocketed in 2016–17 (Adly, 2021; al Khouri and Silcock, 2021).

As demonstrated by the contributions on Egypt (Adly, 2021) and Jordan (al Khouri and Silcock, 2021), regional and domestic features of Middle East rentierism contribute to a better understanding of these puzzling findings. First, Saudi Arabia and the UAE have a strong interest in stabilising allied authoritarian regimes in Jordan and Egypt because they contribute to the containment of Riyadh's and Abu Dhabi's major regional political opponent: the Muslim Brotherhood. Therefore, both Gulf states are ready to bear high costs, which means maintaining high foreign aid payments as well as privileging Jordanian and, even more so, Egyptian nationals by granting them working permits. Second, the regimes of the net oil importers are experienced rent-seekers: they often succeed in converting their geopolitical importance into rent inflows (for the case of Jordan, see Beck and Hüser, 2015), whereas they frequently fail to implement structural reforms to overcome rentierism.

Rentierism in Lebanon is less state centric than in Jordan and Egypt: while Lebanon's reception of official development assistance (ODA) per capita is not much lower than Jordan's (World Bank, 2019), the country – in contrast to oil-producing Egypt and phosphate-exporting Jordan – does not yet extract natural resources whose revenues directly accrue in the coffers of the government. Additionally, the Egyptian and Jordanian regimes enjoy much higher state-controlled location rents than Lebanon: Egypt earns fees from the Suez Canal (Adly, 2021) and Jordan from the West for sustaining secure borders to Israel and the Israeli-occupied West Bank (Beck and Hüser, 2015: 94–5). On the other hand, Lebanon is well ahead of Jordan and Egypt with regard to the per capita inflow of remittances (Global Knowledge Partnership on Migration and Development, 2018: 20). Thus, labour remittances are crucial for the Lebanese economy; they bypass state institutions, however, and go directly to society.

In contrast to Egypt and Jordan, whose labour migration flows are largely confined to the Middle East, Lebanese labour migration is global. Thus, as Karaki (2021) makes plausible, Lebanon could overcompensate for its losses from Gulf remittances by increasing those from Western countries whose economies were boosted in the wake of the 2014 oil price decline. Karaki (2021) additionally highlights how and why remittances are of extraordinary relevance for the Lebanese economy: more than one quarter of them are stored by the Lebanese banking sector, a factor which is crucial for the nation's economy.

The unique structure of Lebanon's rent dependence contributes to an explanation for the country's socio-economic crisis in 2019–20. Structurally speaking, the Lebanese economy is in need of a high inflow of US dollars in order to balance its large national public debt with a ratio to gross domestic product (GDP) of above 150 per cent. Yet, starting already from the early 2010s, the private Lebanese banking system was only able to attract remittances to be deposited in US dollar accounts by offering increasingly high interest rates. Thus, from an already relatively high level of over 3 per cent in 2011, interest rates for US dollar accounts steadily went up further until they reached their peak of over 7 per cent in late 2019 (Bloominvest Bank S.A.L., 2020). As these high interest rates were credited in US dollars, the Lebanese banking system accumulated huge amounts of 'lollars' (Azzi, 2019), which is a Lebanese virtual currency that does not correspond to actually existing amounts of US dollars. When in 2019 the well-informed 1 per cent of top depositors lost trust in this unsustainable system, they withdrew about USD 28 billion. This resulted in a broad bank run in the second half of the year (Diwan, 2020), which left the Lebanese economy largely with virtual US dollars. Therefore, Lebanon faced the risk of comprehensive collapse, because its banks were drained of convertible currency that both the highly import-dependent economy and the extremely indebted government were in desperate need of.

## The Arab Gulf: Bringing state–class relations back in

The drop in oil prices post-2014 has made it impressively clear that relations between state and social class have gained in relevance – or rather regained it – in the Arab Gulf. Analyses on the relations between state and class – defined by what economic resources a social group controls (Grant, 2001: 161) – commonly start with discussing society. According to liberal economics, this is so because in the 'production states' (Luciani, 1987) of the Global North, the society is prior to state, as the latter relies on the extraction of surplus from it. For instance, in a capitalist society, workers contribute with their labour and entrepreneurs with investment, and they nourish the state by paying taxes. What Marxist-inspired economic structuralism shares with liberal economics is the premise that social classes are prior to the state, but this outcome is understood as the result of the dominant class's ability to establish the state as an instrument to control subordinate classes. However, the 'distributive state' (Delacroix, 1980) of the Arab Gulf is not the product of decades-long and tense class conflicts and therefore differs fundamentally from the state in the Global North.

Delacroix's classic contribution concerning state–class relations in the Gulf monarchies was path-breaking, as it revealed for the first time the structural differences between the production state in the Global North and the rentier state in terms of state–class relations. Yet, in order to sharpen our conceptual understanding that the fiscal crisis caused by the 2014 oil price decline has threatened to shake the foundations of the rentier state, the approach needs elaboration in four dimensions. First, it should be spelt out more clearly that by appropriating oil rents as a fiscal income of external origin, in a historic process the ruling families managed to transform themselves into state classes. These state classes have, second, managed to consolidate their superior power position by systematically and successfully developing external rent-seeking activities. Third, in contrast to the prevailing understanding, an exploited class does exist within the Arab Gulf states: low-skilled migrant workers. This exploitation, which was aggravated in the wake of the 2014 oil price decline, is crucial for the maintenance of the political economies of the Arab Gulf. Finally, the state class uses its externally generated rents not only for benevolent distribution but also, in the face of drained resources, increasingly for coercion.

First, as pointed out by Delacroix (1980: 8), 'to be of capitalism is not the same as being a capitalist society.' On the one hand, modern Arab Gulf states and societies are indeed a product of the first truly globalised capitalist branch: the transnational oil industry (Beck, 2012). On the other hand, state and society in the Arab Gulf are *not* capitalist as is known from the Global North. The dominant class in the Arab Gulf is not a capital-controlling bourgeoisie independent from the state as it emerged from intense class struggle within Europe during the nineteenth century. Rather, the evolution of a new dominant class in the Arab Gulf rentiers was enabled by the reception of oil revenues that allowed for 'the emergence of new and … large bureaucratic structures' (Crystal, 1990: 188). This new state bureaucracy, created and headed by key players from within each of the ruling families, constitutes a class of its own: the 'state class' (Elsenhans, 1996: 1–28; for a different perspective, see Hanieh, 2011: 2–14). The resources that this class controls differ from the means of production in the Global North as controlled by the capitalist class: the state class in the Arab Gulf relies on organisational and managerial skills that enable it both to externally accrue rents and to distribute them to maintain its power position.

Second, mainstream rentierism takes it as given that rentier states receive oil rents from external sources: rents are typically treated as a gift of nature (Beblawi, 1987: 49). However, only in the early 1950s did oil rents virtually drop into the lap of the Arab Gulf states. Thereafter, when the Gulf regimes aimed at enlarging their share of the rent vis-à-vis the oil companies, they had to develop effective rent-seeking strategies and tools, which were largely outward oriented.

Yet, before the emerging state classes were able to develop rent-seeking activities, they received support from the rising hegemon of the Western world, the USA. Since the US administration was highly interested in stabilising the then-poor and weak oil-producing states of the Arab Gulf, in 1950 it convinced its major transnational oil companies to grant a fifty-fifty rent-sharing formula in exchange for generous tax exemptions in the USA (Schneider, 1983: 27–31; Mommer, 2002: 125–6). By virtue of their own strength, the regimes in the Gulf at that time would not have been capable of reaching an agreement that copied the fifty-fifty formula that Venezuela's much more advanced oil ministry had reached after years-long tough negotiations with the transnational oil companies (Mommer, 2002: 107–18). Yet, already in the mid-1950s, ruling regimes in the Gulf had begun to understand that the fifty-fifty agreement was – its wording notwithstanding – not fair, because the bulk of the oil rents still went into the pockets of the transnational oil companies (Mommer, 2002: 118–33). At least equally annoying from the Arab Gulf regimes' point of view was the fact that these companies and the consortia they had built were in full control of decision-making regarding production volumes across all Gulf countries. Due to their oligopolist position in the world market, the consortia were furthermore able to manipulate prices and therewith also rent payments to the respective Arab Gulf regimes. When, by co-founding OPEC in 1960, the ruling royal regimes in Saudi Arabia and Kuwait – joined by Qatar in 1961 and the UAE in 1967 – became proactive rent-seekers, they faced the antagonism of the transnational oil industry. At the same time, by thus acquiring high rent-seeking competences, the Gulf states became prepared for a unique historical moment in the early 1970s, when favourable circumstances – in particular growing competition among Western oil companies and an upsurge in the global demand for oil – enabled them to triumph in their external rent-seeking policy by nationalising the hydrocarbon sector. This shift in ownership of the oil resources from the transnational oil companies to the rentier states became manifest in an 'oil price revolution' (Schneider, 1983: 101); however, it was much more than this, namely, nothing less than a full-fledged 'oil revolution' (Tétreault, 1985: 47).

Third, the perspective of the Arab Gulf state as a socio-economic system that is largely free of exploitation is widespread in the literature on the rentier state and across the growing community of Gulf studies scholars alike: Beblawi's (1987: 53) note of the rentier state as an '*état providence*, distributing favours and benefits to its population' has often been reiterated and has sometimes lured scholars into overly positive appraisals of the benevolent state class. El-Katiri (2014: 27), for instance, depicts 'the existence of a generous, modern welfare system, unparalleled in the developing world' as a characteristic feature of what she calls the 'guardian state'. Rentier states in the Arab Gulf appear to be benign towards society as a whole. Although the rentier state is discriminatory by distributing wealth extremely unequally, even the poorest get something from the state, as everyone benefits from subsidies, while in return no one has to pay taxes. There is some truth in this portrayal: the citizenry is indeed not burdened, let alone exploited. Their primary economic function is consuming the oil rent. However, it is thereby often neglected that large parts of the populations – the labour force of unskilled (and semi-skilled) migrant workers – are subject to substantial exploitation.

This exploitation has been organised by the state class from the top by elaborating the *kafāla* system inherited from British imperialism (AlShehabi, 2019), which is executed mostly by private entrepreneurs but also utilised throughout all segments of the citizenry. The *kafāla* system externalises the costs of economically dysfunctional relations between the state and its citizens. This externalisation comes at the expense of migrant workers, since most of them earn only a fraction of the payment received by GCC citizens employed in the largely unproductive und inefficient public sector. At the same time, Arab Gulf governments have very little leeway to reform the *kafāla* system: due to widespread expectations among citizens to receive salaries as high as in the public sector, the Arab Gulf's private companies, which are exposed to somewhat more competition, largely depend on cheap labour provided by migrant workers. Moreover, many private households employ at least one foreign domestic worker. In the case of Qatar, survey research has revealed that employers have a strong interest in further strengthening the bond with the foreign employee, which leaves the latter with little protection from exploitative practices (Diop *et al.*, 2018).

Finally, according to Delacroix (1980: 12), statehood in the Arab Gulf is singular insofar as the role of distribution prevails over coercion, while the latter is considered constitutive to the capitalist production state in the North both in the Weberian and Marxist tradition. However, as Smith (2017: 599) emphasises, oil-rent income constitutes 'flexibility of spending': rents can be used not only for patronage but also for coercion. Crystal shows that the state classes in the Arab Gulf responded to the challenges of the Arab uprisings and the oil price decline in 2014 by increasingly 'policing the people' (Crystal, 2018: 83). A policy of securitisation, which constructed a nexus between oil and terrorism, has been applied by all Gulf regimes to constrain different oppositional groups and activists who raised their voice through new social media. As Crystal (2018: 83–90) highlights using the example of the Arab Gulf regimes' responses to the Arab uprisings, this new kind of repression has been implemented on trend to a higher degree by those regimes for whom the era of oil income abundance has come to an end: Bahrain, Oman, and Saudi Arabia (Human Rights Watch, 2016, 2017; Amnesty International, 2018).

## Policy adjustment and the importance of institutions

Based on the notion that oil income contains a distinct character which has often been pointed to as a 'curse' (Ross, 2013), the concept of rentierism tends to assume that oil rents make governments alike by providing incentives to create similar institutional structures, which then ultimately instigate similar policies. This conception traces back to rentierism as an inductively built approach based upon the detailed assessment of single cases from only one world region – the Middle East – thereby having largely ignored studies on the impact of oil income on countries in world regions with different institutional settings, for instance Venezuela (Karl, 1987). Strikingly, the idea of oil rents as having shaped governments uniformly is echoed in the 1990s by literature in comparative political economy, which argues that dependency upon one leading economic sector determines adjustment policies during periods of economic crisis (e.g. Frieden, 1991; Shafer, 1994).

One example of the misleading understanding of oil rents as uniformly shaping oil-exporting countries is provided by the reception of Chaudhry's works in some of the subsequent academic discussions. As Chaudry (1989, 1997) highlights using the example of emerging rentierism in Saudi Arabia and Yemen during the 1970s and 1980s, the 'role of domestic social contexts in mediating the effects of capital flows to developing countries' (Chaudhry, 1989: 145) is crucial. Strikingly, Chaudhry's widely cited research is often referenced in the opposite way to support the idea that oil states tend to be alike and therefore fabricate uniformly weak institutions, which eventually cause the same poor policy responses.[2]

As already noted by Okruhlik (1999: 309), 'oil enters into an ongoing process of development', and as reiterated by Moore (2002: 35), 'historical and institutional trajectories are crucial to explaining crisis politics'. Thus, the legacy of institutional structures prior to the oil era and subsequent changes in them as a factor shaping government responses during situations of fiscal crisis are worth revisiting. A recent contribution on rentierism in the Arab Gulf advances the conjunction between oil and institutions by specifying that the historical impact of oil wealth upon institutional developments created an 'institutional stasis' (Kamrava, 2018). In other words, at that moment when oil income started to flow into state coffers, state institutions began to freeze (for a more general version of this argument, see Smith, 2006). While this seems to be a welcome recognition of the relevance of social and political institutions within rentier states, it neglects some of the institutional dynamics and developments which occur under conditions of rent scarcity.

This volume has provided plenty of evidence underlining the importance of the dynamics of social and political institutions and their various influences across countries in the post-2014 period of oil price decline. As all contributors to this book make clear, oil income flowing into state coffers during the latest oil price peak in the early 2000s has not levelled out historically grown institutional differences by making institutions and public authorities alike. Particular institutional features within each of the Gulf states also indicate country-specific development paths after 2014.

When comparing some recent policy adjustments made by Kuwait and Saudi Arabia, the specific impact of different domestic institutions comes to the forefront. Kuwait is the only one of the Gulf monarchies to have produced a strong parliament, which has the right to withdraw confidence in any minister and even the prime minister by a simple majority vote (Herb, 2014: 50–1). Although the composition of the parliament was pro-government due to the opposition's boycott of the 2013 elections, a serious dispute arose between parliament and government over the latter's plans to cut fuel-price subsidies. When the majority of the deputies threatened to exercise their right to question ministers and the prime minister in plenary, Amir Sabah Al-Ahmad Al-Sabah dissolved parliament in October 2016. This backfired, however, as the opposition gained a clear majority in the new parliament elected in December 2016 and was able to block all further attempts to reduce government spending, not to mention structural reforms (Hoetjes, 2021).

Also, in the Saudi case, historically grown institutional features shaped the planning and implementation of adjustment policies. The most important elements of the reform projects under King Fahd in the 1980s were not very ambitious from the outset and failed or were severely diluted by the informal influence of the private sector (Chaudhry, 1997: 277–82). In contrast, not only is the Saudi reform programme that was launched in 2016 as Vision 2030 much more ambitious, but its first policy measures have also actually been implemented (Mason, 2021). For example, since summer 2017, every Saudi citizen who employs a migrant worker has to pay an annually increasing fee. VAT was introduced in January 2018, too. Although these measures are limited in scope, it should be noted that comparable projects failed in the 1980s due to resistance from the private sector. For example, neither the employers' share of social security costs planned in 1985 nor a tax reform announced in 1988 were implemented (Chaudhry, 1997: 274–5). The differences between the 1980s and 2010s can best be explained by the political centralisation that has taken place since 2015, which breaks with the tradition of Saudi rule. Since the death of the state founder, Ibn Saud, in 1953, all of his sons who succeeded him on the throne have been involved in a consensual system with the other senior princes. When King Salman, who was the last of these senior princes, ascended to the throne, he appointed his favourite son, MBS, as a leading figure among the remaining key decision makers. MBS then quickly became Saudi Arabia's de facto sole ruler and used his newly won power to purge the political kernel elite of all potential competitors. He also marginalised some of the most conservative segments of the Wahhabi ʿulamaʾ that otherwise would have been able to block parts of the post-2014 adjustment policies, such as the opening of cinemas, the performance of concerts, or the development of Saudi Arabia as a tourist destination. This centralisation of Saudi rule paved the way for a comparatively successful implementation of adjustment policies during the immediate years after the 2014 oil price decline.

**Rentier state autonomy and post-2014 policy adjustments**

During the pioneering phase of rentierism, a deep conviction developed that, due to the external origin of oil income, governments may gain a degree of autonomy vis-à-vis their society previously unseen. As Mahdavy points out, a 'government that can expand its services without resorting to heavy taxation acquires an independence from the people seldom found in other countries' (1970: 466–7), while Luciani highlights that the allocation state 'being independent … of the domestic economy, does not need to formulate … economic policy: all it needs is an expenditure policy' (1987: 74). Anderson paints it more broadly by stressing that '[t]he availability of revenues generated outside the domestic economy … has substantially lessened the reliance of many Middle Eastern governments on their own population, and the corollary … appears to be domestic state autonomy' (L. Anderson, 1987: 9). Similarly, Crystal finds that 'oil-based states are unusual in … their higher degree of autonomy from other social groupings' (1990: 6).

The idea that oil income makes governments more autonomous prevails and is widely acknowledged in the literature discussing the rentier state. For instance, the standard textbook of Middle East political economy notes: '[O]il can foster the rise of autonomous states that are little influenced by their society' (Cammett *et al.*, 2015: 322). Also, the view that rentier leaders are autonomous is still widespread within recent revisions of the rentier state: 'Once rent revenues started flowing into the state … they also enhanced the autonomy of state leaders (Kamrava, 2018: 5–6). Among others, Hanieh (2011: 12) uses the autonomy assumption to justify his departure from rentierism, as he assesses the rentier state theory (RST) notion of relative autonomy as 'highly misleading'. Last but not least, the domestic autonomy of oil states is particularly popular in the quantitative studies testing for the impact of oil wealth upon democratisation (e.g. Ross, 2001; Aslaksen, 2010) and authoritarian survival (e.g. Ulfelder, 2007; Wright *et al.*, 2015).

Although the assumption that oil income makes governments more autonomous from social forces has been challenged before (e.g. Chaudhry, 1989, 1997; Hertog, 2010; Gray, 2011), it persists in rentierism without being critically discussed. Therefore, some points of clarification with regard to the autonomy of the rentier state vis-à-vis its society are in order. State autonomy is closely associated with the idea of state capacity, which can be defined as 'the ability of the government to formulate and implement policies' (Chaudhry, 1989: 102, footnote 2). An autonomous state, then, is considered to be an entity which, first, formulates policies unimpeded by social actors and, second, is also able to implement these policies even against the will of some of them. A rewarding perspective at the intersection of rentierism and policy adjustment should therefore address two elements:

first, the conditions under which the government of the rentier state is able to act without being constrained by social actors and, second, against which social actors the government is capable of doing so.

A first aspect which sheds some light on how autonomous a rentier state is concerns the relations between migrant workers and the state in the Arab Gulf. As several of the contributions on the Gulf countries in this volume have demonstrated, this social group is the key loser of post-2014 policy adjustments. In addition to imposing poor labour conditions on migrant workers, governments also burdened them with additional economic costs by increasing fees, diminishing subsidies, and introducing taxation. The few pockets of resistance formed by migrant workers after 2014 have been met with heavy repression by the respective regimes. Rentier states' autonomy from migrant workers can therefore be considered to be consistently high with regard to policy formulation and implementation. This is quite remarkable, as very few other states in the world enjoy that level of autonomy from the majority of their population.

A second element which needs to be stressed in the context of discussing the autonomy of a rentier state concerns the close ties between the rentier state and its citizens. Since their foundation, Arab Gulf states have distributed large amounts of their oil income towards comprehensive public employment schemes. This led to one of the highest proportions of citizens employed in the public sector worldwide. As exemplified by the large public wage gain during the Arab uprisings, political crises tend to fortify this structural feature. Thus, in all Arab Gulf countries, government expenditure on wages and salaries takes up by far the biggest share of the budget and does not adjust as steeply during contradictions in the oil market as they increase during booms. In the immediate years after the 2014 oil price decline, none of the countries has been able to reform its public sector. The few attempts failed due to considerable social resistance and the state classes' fear of emerging social instability. At the dawn of the oil age, the state classes were autonomous and thus free to spend their oil income by co-opting social groups through state building. Over time, however, this conduct created obligations towards the beneficiaries of rent distribution. The history of government spending on public employment is therefore an important scope condition for a rentier's autonomy regarding the implementation of structural reforms in its public sector. In other words, the autonomy of the rentier state has 'declined precipitously' since its foundation (Hertog, 2010: 267).

A final dimension of partially constrained state autonomy after the oil price decline in 2014 became relevant in those Gulf rentiers in which parliaments exist that are elected by all adult citizens, these being Bahrain, Kuwait, and Oman.[3] Within these three countries, parliamentarian debates and some formal rights of parliamentarian approval allow social groups and coalitions of social groups to more visibly limit the autonomy of the state class. The role of the Kuwaiti parliament as the veto-player for governmental reform initiatives following the 2014 oil price decline is the most striking example, but there is also evidence of interferences by other parliaments in the Arab Gulf. In Bahrain, considerable resistance emerged from within the elected lower house of the parliament – the *majlis al-nuwwāb* – against some of the government's austerity measures after 2014. Although the Bahraini *majlis al-nuwwāb* is less powerful than Kuwait's *majlis al-umma*, it can exert some influence due to its formal right to approve both the annual budget and all laws. This led to postponement of new taxation (Barbuscia, 2018) and the termination of measures to reform the country's bloated subsidy system (Yaakoubi, 2019). The *majlis al-shūrā* in Oman has seen some enhancement of status after demands were expressed by citizens to widen political participation during the Arab uprisings. Among the changes implemented since then has been the right to question so-called service ministers and to discuss the annual budget. Yet, after one of the most vocal deputies was sentenced to prison in 2013 and three similarly engaged incumbent members were barred from elections in 2015, these formal options were rarely applied (Bertelsmann Stiftung, 2020a: 15). Nevertheless, in 2016 some of the government's austerity measures were delayed due to opposition from within the majlis (R. Anderson, 2016), and in 2017 the fuel-price reform was revised after members of the majlis publicly urged for better consideration of lower income groups (Mukrashi, 2017b).

## Arab rent-dependent countries beyond the Gulf: Egypt, Jordan, and Lebanon

Through petrolism, the development of net oil importers like Egypt, Jordan, and Lebanon has also been deeply shaped by hydrocarbon rents. Petrolism started interweaving the Arab Gulf states – under the leadership of Saudi Arabia – with all of the Arab net oil importers in the wake of the oil revolution in a twofold way (Korany, 1986). The Arab Gulf states used part of their newly acquired oil-rent abundance to stabilise the political regimes of resource-poor Arab countries, particularly in the Mashriq, by transferring political rents, mostly in the form of budget-to-budget transfers. At the same time, the prospering Gulf states were opening their labour markets for Arab migrant workers. These migrant workers sent back home a good deal of their salaries as remittances, which also constitutes a rent income because it is not balanced by investment or the labour of the recipient. Petrolism has certainly constituted Egyptian, Jordanian, and Lebanese dependence on the Arab Gulf countries. This, however, does not imply that the former are passive objects of the latter's policies. Indeed, semi-rentier states often act as rent-seekers. As the influx of rents in Egypt, Jordan, and Lebanon encountered different kinds of socio-economic structures and political institutions, the evolution of rentierism through petrolism within these countries has manifested in particular ways.

Ever since the British initiative to establish the state of Jordan in the early 1920s, the regime in Amman has been dependent on rents. At the beginning, it was the United Kingdom that had to grant King Abdullah I an appanage. After World War Two, the USA started to become Jordan's major donor. From the 1970s onwards, the Arab Gulf states developed into the main financial supporters, yet Jordan managed to also maintain political rent payments from the West (Beck and Hüser, 2015: 89–90).

Similar to the development of state classes in the Arab Gulf, the Hashimite rulers of Jordan created a state bureaucracy largely based on successful external rent-seeking. Yet, due to a much smaller volume of accrued amounts, two important differences exist. First, the Hashimite regime was unable to be as benign to its citizens as state classes were throughout the Arab Gulf. Notwithstanding a similar pattern – providing jobs in the public sector and launching subsidy policies – distribution had to be more moderate. Moreover, entry to the public sector was largely confined to Transjordanians, whereas the majority of Jordanian citizens – Palestinian refugees from the 1947–49 Palestine War – were mostly excluded. Second, members of the royal family were not put into key positions within the regime. In other words, Jordan is a so-called linchpin monarchy (Bank *et al.*, 2014: 166), which is a political system that exclusively centres around the king.

The strategic backbone of Jordanian rentierism has been the Hashimite Kingdom's shared border with Israel. Jordan swiftly turned this into an only rarely interrupted asset for receiving political rents from actors who are interested in Israel remaining securely within its borders. This strategic rent was supplemented by phosphate rents. Thus, starting in the 1970s, petrolism fostered the already consolidated Jordanian semi-rentier state by increasing and diversifying rent income with new donors – the Arab Gulf states – and new sorts of rents – remittances.

In contrast to Jordan, Egypt looks back on a history of state institutions prior to colonialism and rentierism. In the nineteenth century, under the reign of Muhammad Ali, attempts to modernise and industrialise had already been launched taking Europe as a model (Lustick, 1997). Decades later, in the 1950s, state bureaucrats in uniform under the leadership of Gamal Abdel Nasser conducted a 'revolution from above' (Trimberger, 1978), thereby paving the way for the emergence of another state class in the Middle East. However, in contrast to the Arab Gulf and Jordan, the primary means of consolidating Egypt's rule was originally not external rent-seeking but class struggle. The state bureaucracy deprived the then-dominant class – the big landowners and a handful of industrialists and the banking sector – of their power through a land reform and a nationalisation policy, respectively. A state-managed import substitution industrialisation policy was launched, which, however, turned out to be a failure at the end of the 1960s. Still, the Egyptian state bureaucracy remained in a superior position vis-à-vis society (Richards and Waterbury, 2008: 188–90). The rise of petrolism had a double effect for Egypt. On the one hand, external rents provided the regime with urgently needed income to deal with the socio-economic crisis that was fuelled by the disastrous defeat against Israel in the June War of 1967. External rent-seeking policies became a key strategy of Egypt's foreign policies from the 1970s onwards (Springborg, 2014: 397). On the other hand, petrolism constituted the turning point in the hierarchy of Middle Eastern regional powers: Egypt, which had threatened the Arab Gulf states with exporting its republican revolution and which had waged a proxy war against Saudi Arabia in Yemen during the 1960s, started to become dependent on and, in the wake of the Arab uprisings, even subordinated to Saudi Arabia and the UAE with regard to regional affairs.

Lebanon, as an independent state separated from Syria, does not have a contemporary history. Almost as much as the Jordanian state was designed in London, the state of Lebanon was formed in Paris. However, the Lebanese history of societal development differs fundamentally from Jordan's. Around 1900, attempts were launched to promote a silk industry (Khater, 1996). Yet, what proved to have an even deeper impact on the socio-economic development of Lebanon was the globalisation of its labour force, which started in the mid-nineteenth century (Tabar, 2009). This process was facilitated by Western cultural imperialism, which enabled Christian Lebanese to migrate to the Global North and – as quasi-Western bridgeheads – to the Global South alike, for instance to Nigeria, from the late nineteenth century (Ndukwe, 2017). Soon after petrolism kicked off, Lebanon was hit hard by a devastating civil war (1975–90). Two developments occurred during that period. On the one hand, Lebanon participated in petrolism insofar as many Lebanese citizens migrated en masse to all destinations abroad, including the Gulf. On the other, the political economy of the Lebanese Civil War was deeply shaped by the influx of huge amounts of petrodollars, mainly associated with the financial activities of Lebanese-Saudi billionaire Rafiq Hariri, who later served two terms as Lebanese prime minister, from 1992 to 1998 and from 2000 to 2004 (Hourani, 2015). After the war, Saudi Arabia significantly contributed to the reconstruction of Lebanon, thereby establishing a further distorted version of the pre-war sectarian state (Al-Tamimi, 2018).

As a recipient of large amounts of aid, budget support, and remittances, Lebanon shares similarities with the two other semi-rentier states, Egypt and Jordan. Moreover, the political class of Lebanon is as elitist, and possibly similarly would-be authoritarian, vis-à-vis its society as the ruling regimes in Egypt and Jordan. However, there are two major differences that set the Lebanese case apart from the other state class regimes discussed in this book: the co-existence of several elite groups built on institutionalised sectarianism and the relative strength of Lebanese society vis-à-vis the state (Saouli, 2019), which is reinforced by a comparatively high societal control of rent sources, namely, remittances.

Egypt, Jordan, and Lebanon are all participants in labour migration to the Arab Gulf, which is based on the *kafāla* system. However, for two reasons the Lebanese, Jordanian, and, albeit to a much lesser degree, Egyptian societies are not only exploited, but are exploitative themselves because they import cheap labour from African and Asian countries. First, the highly skilled labour force of Egypt, Jordan, and, due to its advanced private educational system, especially Lebanon has been migrating to the Gulf. Like expatriate workers from the Global North, they are usually not over-exploited. Second, all three semi-rentiers also import cheap foreign labour: Jordan and Lebanon on the basis of *kafāla* and Egypt in the form of irregular foreign workers, mainly from the Horn of Africa and Sudan (Thomas, 2010).

The Lebanese capital provides a notable example. In 2010, 11.6 per cent of all households in Beirut employed domestic workers, most of whom lived in the employer's house (Fakih and Marrouch, 2014: 343, 348–9). Nearly all of these household helpers – more traditionally referred to as 'maids' – are women from Asian or sub-Saharan African countries. After the end of the civil war in the early 1990s, they replaced mostly Syrian-Arab and (Syrian-)Kurdish domestic workers (Jureidini and Moukarbel, 2004: 590). The beneficial participation of the Beirut upper and middle class in the exploitative characteristics of the Lebanese *kafāla* system is not only reflected by very low salaries – Jureidini and Moukarbel (2004: 587) note a salary range between USD 100 and 350 per month (which correlates to the ethnic heritage and different educational levels of the employees) – but is also manifested in (extremely) long working days, few (if any) days off, and not least in the precarious legal status of the persons who work as 'maids'.

As is shown by Adly (2021) for Egypt and by al Khouri and Silcock (2021) for Jordan, rentierism in semi-rentier states has also left its traces on the institutional arrangements within these countries. In particular, although not as extreme as in the Arab Gulf, institutions necessary to tax citizens and the economy are under-developed, and existing state organisations lack capacity to coordinate reform policies. Thus, from this perspective, unsurprisingly both regimes failed to use the opportunities of the oil price decline post-2014 to launch structural reforms. Lebanon is a different case, as the institutional weaknesses of its sectarian system are not primarily the result of externally acquired rents and related rent-seeking activities but the outcome of non-violent and violent conflict management between sectarian groups that were initially politicised by imperialist forces. However, there is plenty of evidence that Lebanon's dysfunctional consociational system (Salloukh *et al.*, 2015; Mabon, 2019) is reinforced by rent-seeking activities. For the latter, Saudi political rents for neoliberal reconstruction since the early 1990s managed by the Hariri family and its supporters, on the one hand, and Iranian payments to its Mediterranean ally Hizbullah, on the other, are the most striking examples. Evidence for the former aspect can be drawn from research showing that public funding in the realms of health, education, and infrastructure in Lebanon follows sectarian lines rather than imperatives of equality and poverty alleviation (Salti and Chaaban, 2010; see also Cammett, 2014).

In general terms, autonomy of the state vis-à-vis the society in the three semi-rentier states is lower than in the Arab Gulf. This difference is mainly due to the fact that the share of foreign migrant workers (from whom both the rentier and semi-rentier states enjoy a very high degree of autonomy) is small in Egypt, Jordan, and Lebanon. Moreover, particularly in Egypt and Jordan, decades-long policies of co-opting segments of the population that are crucial for maintaining political stability by way of employment in the public sector constrains the regimes' autonomy towards these groups. The narrow limits of state autonomy in Lebanon are mainly the result of sectarianisation, which enabled the political parties to corrupt the state and its agencies.

With the possible exception of Bahrain, social resistance to economic adjustment policies in the form of street riots and mass demonstrations have a much stronger tradition in the semi-rentier states than in the rentiers in the Arab Gulf (Brand, 1992; Salevurakis and Abdel-Haleim, 2008). Yet, similar to the Gulf states, some of the more effective ways to dilute austerity measures in the 1990s were grounded in informal linkages, like affiliations of Transjordanian tribal groups with the royal palace in Amman (Peters and Moore, 2009).

In the years after the oil price drop of 2014, the three semi-rentiers have taken different paths with regards to state–societal dynamics. As shown by al Khoury and Silcock (2021) using the case of the 2018 social protests against the Jordanian government, discontent seems to lead to social resistance, but deep political change is not in sight. However, Egyptian and Lebanese developments differ. After el-Sisi seized power in July 2013, Egyptian authoritarianism tightened, as evidenced in, for instance, opposition groups being silenced by the jailing of many of their members, the blocking of independent media, and the work of independent non-governmental organisations being criminalised (Momani, 2018). In Lebanon, however, the *You Stink!* movement challenged the consocational system (Beck, 2015), and the broad, resolutely non-sectarian social movement of 2019–20 brought it to the brink of collapse. These striking differences in state–societal dynamics in the three semi-rentier states complement our finding for the Arab Gulf countries that country-specific domestic institutions are much more important than outlined in orthodox rentierism.

## Still prevailing: Rentierism

Some scholars suggested overcoming rentierism by either leaving behind some of its main assumptions (e.g. Gray, 2011) or declaring its relevance as obsolete (e.g. Hanieh, 2011). Gray observes that Arab Gulf rentier states started to spend their oil wealth 'more intelligently' (2011: 2) and finds that the 'depth and impact of … reforms were startling' (2011: 15). He concludes that since the 1990s all Arab Gulf states, albeit to different degrees, have entered the stage of 'late rentierism' which makes the rentier state 'more responsive, globalized, and strategic in its thinking' (Gray, 2011: 24). A more dismissive perspective is represented by Hanieh, who departs from rentierism by pointing out that the 'class character of the Gulf economy is seldom tackled with any theoretical sophistication' (2011: 12).

On the one hand, we agree with Gray (2011) and Hanieh (2011) that rentierism as formulated during the 1980s needs refreshing to fully grasp the dynamics of contemporary Middle Eastern political economies. On the other, we believe in a more gradual and intrinsic advancement of the rentier state approach. Gray (2011) rightly argues that challenges from globalisation, social change, new technologies, and the global free-trade regime have created a context for a new major bargain taking place within the countries of the Arab Gulf. However, this is not a recent development only and should not be solely viewed as an act of enlightenment. As we outlined above, starting already in the 1960s, institutions crucial for external rent-seeking developed remarkable competences. Moreover, exploitation of migrant workers never diminished, while repression increased. We share with Hanieh (2011) the conviction that approaches of rentierism – except that of Delacroix (1980) – have largely failed to address state–class relations. However, as we attempted to show above, there are beneficial ways from within rentierism to overcome this deficit. In contrast to Hanieh (2011: 1–28, 2018: 64–7) and Gray (2011: 32), who portray the political economies of Arab Gulf as 'capitalist' and 'entrepreneurial state capitalist', respectively, we claim that the dominant class in the Arab Gulf, as well as the semi-rentier states of Egypt, Jordan, and Lebanon, is not genuinely guided by interests in economic development or capital accumulation but by the overarching goal of maintaining its socially and politically superior position. Economic development is thus rather a tool for achieving the latter. If the nature of the Arab Gulf regimes were genuinely (state) capitalist, they would have responded to the oil price drop in 2014 – and potentially also to the one in 2020 – by launching much deeper structural adjustment policies to make their economies fit for competition in global capitalist markets.

However, based on the above highlighted findings of the country studies in this volume, there is little evidence that ambitious structural reforms, as outlined in the heuristic framework of Beck and Richter (2021: 16–26), were launched after 2014. Also, initial summaries of the Arab Gulf regimes' immediate responses to the COVID-19-related oil price decline did not find any evidence that the 2020 socio-economic crisis had triggered more far-reaching structural reforms (e.g. Mogielnicki, 2020). Driven by a logic of maintaining their dominant social and political position, state classes in the Middle East have tended to act very carefully to avoid grievances among citizens, from whom they enjoy little autonomy with regard to implementing reforms. It is crucial to the state classes not to alienate their citizens, even if this implies sacrificing economic development goals. Therefore, due to anticipated and sometimes real social resistance, which is primarily based on informal institutions but sometimes also manifests itself in formal processes, attempts at structural reforms that would hit the citizens' welfare were only half-heartedly launched, withdrawn, or heavily diluted during the implementation phase. As we have attempted to show above, rentierism as a scholarly approach is capable of addressing these ongoing dynamics in a productive way by paying close attention to state–class relations and related issues of exploitation and repression, by highlighting the importance of intervening institutions, and by employing the idea of state autonomy in a more nuanced way.

In 1985, in the midst of a first deep fiscal crisis in the Middle East, Tétreault (1985: 189) expressed the fear that a breakdown of rentierism might drive the region back into a state prevalent before the export of oil by quoting a refrain attributed to Ahmad Yamani, who had then been in office as Saudi oil minister for twenty-three years:

> My grandfather rode a camel.
> My father drove a car.
> I fly in jet planes.
> My son will drive a car.
> My grandson will ride a camel.

On the one hand, such a scenario being the long-term result of lastingly low oil prices should not be readily dismissed, because the structural resilience of rentierism as a system of governance could mean that oil dependency will not be overcome. If global energy transition away from hydrocarbons becomes a reality – and there are some indicators that after decades of procrastination the COVID-19 pandemic might finally facilitate its acceleration (BP, 2020) – the Arab Gulf would then indeed be ill-prepared.

On the other hand, the resilience of rentierism also implies that the Arab Gulf states have gradually become virtuosic in rent-seeking since the 1950s. There can be hardly any doubt that the COVID-19 pandemic crisis further shrank the room for manoeuvre of the Arab Gulf regimes. For instance, tourism might not become a viable rent-seeking option in the foreseeable future. This also applies to preferred investments in sectors like aviation. However, at least in the short run, the Arab Gulf's by far most effective response to the oil price crash in the spring of 2020 was an impeccable rent-seeking activity: the April 2020 OPEC+ deal. Thus, our claim that rentierism prevails not only applies to the immediate years after the oil price decline of 2014 and 2020 but may also fit for the more distant future well into the twenty-first century.

## Notes

1 There has been no effective initiative of the Arab League to cushion the oil price drop of 2014.

2 To give just a few examples: Kennedy and Tiede reference Chaudhry (1989) as claiming that oil 'incontrovertibly' inhibits the creation of functioning institutions (Kennedy and Tiede, 2013: 761). Su *et al.* cite Chaudry's research for showing that a rentier state 'cannot be expected to use the windfalls wisely, such as investing in appropriate infrastructure and managing the boom and bust. Instead, the government is typically fiscally irresponsible and engages in wasteful spending and pays for expensive security apparatus' (Su *et al.*, 2016: 22). A notable exception to this problematic view on Chaudhry's work is provided by Young (2020).

3 All deputies of the *majlis al-shūrā* in Saudi Arabia are appointed by the king (Bertelsmann Stiftung, 2020b: 8). The Qatari constitution prescribes that the majority of the members of parliament be elected by the people; however, the regime has kept postponing elections since the early 2000s (Freer, 2019: 12). In the UAE, the members of the *majlis al-watani al-ittihadi* are elected by only a small number of citizens. Moreover, this body holds advisory power only (Freer, 2019: 16). Gray (2021), Mason (2021), and Young (2021) did not find any evidence that the parliamentarian bodies in Qatar, Saudi Arabia, and the UAE, respectively, played a role in adjustment policies after the oil price decline in 2014.

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