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The oil-driven nation-building of the Gulf states after World War II

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The post-WWII consolidation of Gulf nation-states: oil and nation-building

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Among all developing countries in the post-WWII era, the Arabian monarchies have probably been jolted into economic and bureaucratic modernity the most quickly. As Frauke Heard-Bey's chapter has shown, several of the Gulf regimes were pushed into formal independence against their own wishes in the late 1960s, with little formal administration, infrastructure or public services to undergird their new-found statehood. Saudi Arabia alone had a somewhat longer history of sovereignty since the 1920s, but there too, the modern state remained embryonic up to the 1960s.

Yet, on the back of an unparalleled inflow of oil rents beginning in the 1970s, the Gulf monarchies managed to rapidly modernize and extend the reach of their state apparatuses while, at least on the surface, limiting social dislocations and, with few exceptions, political challenges. Rapid administrative, economic, and infrastructural modernization combined with much apparent continuity of social identities and the patrimonial nature of the regime leadership.

The Arabian monarchies pose many puzzles for the student of state formation. The regimes have developed "high modernist" ambitions of economic diversification and are trying to set their countries up as hubs of global business and in some cases culture. Yet they remain patrimonial, conservative and informal at their core. The governments are reasonably well-managed, certainly by the standards of oil-rich states in the developing world. And yet kinship and traditional identities that seem to militate against meritocratic organization remain important in their societies. Today's Gulf Cooperation Council (GCC) countries are home to some of the most successful state-owned enterprises in the world. Yet its governments seem to be unable to impose house numbering and verify the residential addresses – or even the total number – of the local population. Arabian rulers are staunchly pro-capitalist. And yet the region's merchant class is politically weak and GCC citizens are probably more state-dependent than even their peers in the remaining socialist countries of this world.

This chapter will explain the consolidation processes that have given GCC states and state-society relations the particular shape they take in the early 21st century, in the process shedding light on some of the above puzzles. The empirical focus is mostly on the period after 1971, by which year all the GCC countries had attained independence and which was soon followed by the 1970s oil boom that fundamentally transformed some, but not all, aspects of statehood in the GCC. Although social and administrative change accelerated drastically in the 1970s, many of the processes surveyed have their roots in the pre-1971 period, which will be discussed as appropriate.

The chapter analyzes consolidation processes in a number of areas: the state's monopoly of violence, administrative apparatuses and expanding infrastructural power, market building, state-society relations, and consolidation of national identities. I will pursue a number of cross-cutting themes throughout that have characterized the nation-state consolidation process, including the pivotal role of resource distribution by regime and state, the social and political consequences of an (extreme) dominance of the state apparatus in economic and societal integration, and the role of patronage in creating new social and political hierarchies.

GCC state formation and consolidation in comparative perspective

Before delving into specifics, it is useful to put the Arabian monarchies into broader comparative perspective to give a better sense of what is specific about their state formation and consolidation

process. State formation in the Gulf shares some features with the developing world at large, some of which have already implicitly emerged in preceding chapters:

- Colonial powers played a pivotal role in drawing boundaries, influencing the composition of local ruling elites and creating the kernels of modern administration. Saudi Arabia is only a partial exception to this trend: while the Saudi kingdom never was a protectorate, its rulers in the pre-oil age were bolstered through British stipends, its outer boundaries largely determined by the British Empire, and foreign advisors played an important role in building some of the kingdom's most important modern administrative bodies.
- Expansion of the modern (colonial and post-colonial) state has driven socio-economic change rather than the other way around. In the absence of powerful local capitalist or working classes, social and economic identities have often been shaped and reshaped by the state.
- The expansion of the modern administration has been a non-linear process, with patrimonialism and corruption often spreading in parallel with, and sometimes combining with, efficient bureaucracy and an ethos of economic modernization.
- Albeit state capacities have often remained uneven, society has come to be deeply penetrated by state infrastructure and public services. Local elites that used to mediate between central authority and local societies have lost much of their local power and autonomy and often been marginalized.
- National identity and nationalism have formed through the influence of the state, rather than the other way round (which to some extent has been the case even in Europe).

In some respects, however, state formation and consolidation in the GCC has exhibited unique features:

- The handover from the colonial overlords to independent governments has been more consensual and gradual. This has had important ramifications for the GCC's international relations, but also for local regimes' Western-inspired administrative modernization and economic policy.
- Closely related, GCC societies have never experienced a revolution or "national moment" such as a war of unification or independence that would mobilize strategic parts of the population around a common ideological vision.
- Instead, resource rents have played a crucial role in state-building and the penetration of society by the regime and state apparatus.
- The expansion of the state has happened at an extremely fast pace from the 1970s on, but at the same time, top-tier ruling elites have largely remained the same.
- Although modernizing rapidly in physical and administrative terms, GCC regimes have avoided nationalist or "Third Worldist" ideologies and explicit social engineering. They have made a point of preserving "traditional" social identities at least on a surface level.
- Nonetheless, below the surface, GCC societies' main social status groups – rulers, merchants, tribal elites, bedouins, town dwellers etc. – have undergone dramatic political and functional changes. Social elites other than the ruling families have lost even more of their power than in most other developing countries. New elites in business and bureaucracy remain politically subordinate.
- The state and its resources have played an even more dominant role in politics and development than in the rest of the post-colonial world, leading to much politics happening within the state, and parallel spheres of power within the state apparatus.
- Ruling families have emerged as a permanent focal point of national politics and business and, to an important extent, national identity.

One way of summarizing the above would be that GCC state formation has evinced an extreme combination of continuity and change. The specificities of this process will now be probed in more detail.

Monopoly of coercion

Minimal statehood is defined by the monopoly of coercion in a clearly delimited territory. For long stretches of Gulf history, there was no such monopoly in important parts of the Peninsula, as urban centers remained weak, tribal raids were frequent and many smaller settlements remained autonomous or semi-autonomous. British support for select littoral rulers in the 19th century somewhat reduced this fragmentation of sovereignty, but full “Weberian” statehood was only established in the 20th century. The previous chapter has already outlined how GCC regimes started building up regular police and armed forces after WWII, often with UK assistance in the case of the littoral shaykhdoms. This process greatly accelerated after independence and with the oil boom that started with the quadrupling of oil prices in 1973.

Tribal levies and palace guards that formed part of the ruler’s household were replaced by, or sometimes morphed into, regular army and police forces. The share of expatriate mercenaries in the armed forces of the littoral states declined, as rulers were able to increasingly recruit nationals, not least thanks to attractive salaries funded from states’ increasing oil receipts. In the Omani armed forces, for example, Sultan Qabus gradually reversed the 70-30 ratio of Baluchis to Arabs after taking power from his father Said in 1970. In some cases, security and armed forces were also composed of high proportions of neighboring Arabs (as Yemenis and Omanis in Abu Dhabi and Qatar), many of whom were naturalized and regarded as nationals.

Overcoming local claims to coercive power

The 1970s were also the decade in which police control was fully established across the territories of far-flung Saudi Arabia and Oman (it had been easier to establish in the smaller city states of the Arabian littoral). While tribal raids in Saudi Arabia had already been suppressed in the 1920s, tribes subsequently also lost their capacity to self-police and had to submit to police forces and local judges installed by the central state. Adjudication of conflicts between tribes also became the preserve of the state – or rather of senior princes – in lieu of autonomous negotiations between shaykhs.

Armed forces’ role in co-opting social forces

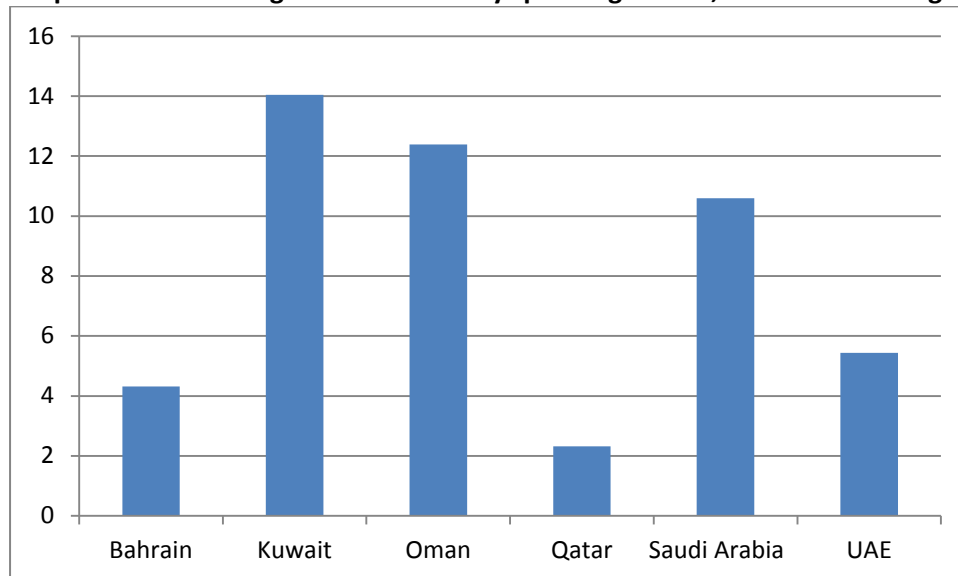
Armed forces became an important tool of co-opting strategic segments of local society. In Saudi Arabia, important tribes were employed in the National Guard (which is separate from the Ministry of Defense), while in Bahrain members of loyal Sunni tribes were offered employment in army and police (next to a sizeable contingent of Sunni expatriates from Jordan and South Asia). In the UAE and Qatar also, armed forces and police became an important vehicle of patronage for less educated male citizens from the right tribes – a policy that continues to day and goes some way in explaining the lower levels of education among male citizens in these countries, to whom the security sector offers an easy employment option after secondary school. In Oman, the comparatively well-run security sector also functioned as an important machinery of patronage especially in the earlier phase of state-building. In 1968, fully 75% of the national budget went to the defense department which at the time was fighting the Dhufar Rebellion.

While armed forces in the GCC – with the potential exceptions of Oman and the UAE¹ – are less socially prestigious than they have historically been in Arab republics, their role as patronage machinery continues to be unrivalled. The chart below shows the average share of military spending

¹ The situation in Bahrain is complex, as the security forces are reasonably prestigious among Sunnis but have come to be loathed among most Shi’ah.

in GDP from 1988 to 2012, which for most cases is far higher than that of e.g. Egypt (3.4%), the US (4.1%) or European countries (where it typically ranges from 1 to 2%).

Graph XX.1: Percentage share of military spending in GDP, 1988-2012 average²



Source: calculated from Stockholm International Peace Research Institute (SIPRI) data

Role of ruling families in security sector

Militaries, national guards and ministries of interior also became an important repository of (male) members of quickly growing ruling families, not all of whom had the education or aptitude to succeed in other areas of the modern state and business. Employment in the security sector served to keep princes and *shaykhs* busy and provided them with opportunities for extra income. As Michael Herb has convincingly demonstrated, it also helped to “coup-proof” GCC regimes, an important feature in a region where other monarchies based on smaller ruling families had been toppled in the 1950s and 1960s. The presence of the ruling family in the security sector appears to be particularly large in Bahrain and Saudi Arabia.

In some cases, the attachment of different parts of the armed forces to different senior princes has led to fragmentation and inefficiencies, notably in Saudi Arabia. A division of the armed forces however also provides regimes with an “army to guard the army” (a phenomenon also known from Arab republics like Syria or Iraq). In Oman and the UAE, the armed forces have played a particularly large role in state-building, as crucial players – Sultan Qabus, Crown Prince Muhammad bin Zayid respectively – have a military background, have made building up local armed forces a priority and have recruited some of their closest advisors from the armed forces.³

Bureaucratic consolidation

The security sector was only one segment of GCC governments that expanded rapidly from the 1970s on. Civil administration also grew at a fast clip and soon became the default employer of nationals. While the kernels of modern administration already existed before 1971 (albeit barely in cases like Oman and Qatar), GCC bureaucracies made a qualitative and quantitative leap forward in the 1970s and early 1980s.

² The high Kuwaiti figure is explained with extraordinarily high expenditure relative to GDP in the war years 1990 and 1991; leaving out these two years, the average is 8.1%.

³ Dubai’s Muhammad bin Rashid also has a military background and has been UAE defense minister since 1971, but seems to be somewhat less reliant on advisors with a security background.

In this, the littoral states often built on structures first created under British tutelage. In Bahrain and Oman, British political agents and advisors had instigated basic administrative reforms as early as the 1920s. The British-led “development boards” from the pre-independence period mentioned in the previous chapter often served as the kernel of modern public service administrations in the post-1971 period. Foreign advisors often continued to serve on them, although in increasingly subordinate roles as nationals took on the most senior positions. The Public Works Department in Oman for example was still headed by an Indian expatriate in the late 1960s, who was replaced by an Omani under Qabus. The governorship of the Saudi Arabian Monetary Agency, effectively Saudi Arabia’s central bank, was in the hands of Anwar Ali, a Pakistani IMF expert and close advisor of King Faysal, until his death in 1974 when he was succeeded by a Saudi technocrat. Foreign advisors continue to play an important role in the Gulf technocracy to this day, although less so in Saudi Arabia and Kuwait than in the other monarchies. All of the smaller Gulf monarchies have also at least somewhat diversified the supply of foreign experts and advisors away from the former British suzerain, while Saudi Arabia has reduced its technocratic dependence on the US since the 1970s.

As illustrated already in Heard-Bey’s chapter, state-building continued to be a top-down affair: Rather than responding to organized public demands, rulers and their close advisors unilaterally decided to create and expand new administrative bodies. In the 1970s, councils of ministers were created for the first time in Bahrain, Oman, Qatar, and the UAE, while the Saudi cabinet grew strongly in size in the 1970s (in Kuwait the number of ministers is constitutionally limited to 16). Everywhere, new specialized agencies were created in fields like industrialization, communications, transport, housing and lending for local development and foreign aid. Government budgets were increasingly formalized, although details of actual spending usually remained unpublished and the distinction of privy purse and public purse was clearer in some cases, notably Kuwait with its parliamentary budget process, than in others. The judiciary also was increasingly formalized, albeit it has remained slow and fragmented in all Gulf countries and largely remains in the hands of (politically docile) religious scholars in the Saudi case.

The increasing number of administrative bodies in parts reflected a natural process of functional differentiation as governments took on increasingly complex public service tasks. In some cases, however, it also catered to the desire of individual ruling family members to be granted their own organizational preserves and budgets. That being said, a proper technocracy of GCC commoners came into being in the 1970s, recruited from the first generation of nationals who had studied abroad. These technocrats, although often from privileged families and typically clients of individual *shaykhs*, in many cases received their positions on reasonably meritocratic grounds. They include well-known figures like Saudi Minister of Petroleum Ahmad Zaki Yamani, Saudi Minister of Finance Muhammad Aba al-Khayl, Dubai head of customs Mahdi al-Tajir (who, albeit Bahraini by birth, is a Gulf local), Ahmad Khalifah al-Suwaydi, the UAE’s first foreign minister and then head of the Abu Dhabi Investment Authority or, more recently, the head of Abu Dhabi’s Mubadala conglomerate, Khaldun al-Mubarak. The new generation of technocrats often took over their senior administrative positions from Arab, Indian or British expatriates.

While bureaucracies were institutionalized on lower levels, GCC states have remained patrimonial at the very top: rulers take major decisions, including on the national budget, in a largely informal setting that only involves (a) their closest advisors, who are often not cabinet ministers, and (b) a small number of senior family members (Oman is an exception to the latter pattern, as no Al Sa’id family member plays a particularly prominent role). All Gulf rulers have retained the trappings of traditional rule, most notably the “*majlis*” system of regular open gatherings through which they retain a semblance of direct accessibility for their subjects. In practice, *majlis* meetings tend to be highly orchestrated. National populations even in the small GCC states have become too large to get meaningful direct access through such events; even Qatar now counts more than 200,000 nationals.

As a sign of the times, Abu Dhabi Crown Prince Muhammad bin Zayid instated an electronic queuing system for his *majlis* several years ago.

Rulers also maintain traditions of “*makramah*” – ad hoc gestures of generosity that bypass the regular bureaucracy and prove personal benevolence. Such gestures can be reactions to individual petitions (for a loan, healthcare, housing, a job etc.) or can cater to larger groups, as is the case with prison amnesties, salary raises, housing and infrastructure projects. Oman’s Sultan Qabus is particularly well-known for his annual tour through the country during which he sees petitioners and dispenses munificence in local communities.

The image of rulers and senior *shaykhs* as benevolent patriarchs above the bureaucracy has been well-cultivated and has often allowed them to deflect government failings by blaming the faceless administration. Conversely, many nationals continue to follow an old tradition – not limited to the Middle East – of attributing all things bad to malevolent advisors and corrupt bureaucrats, thus guarding the reputation of the Sultan. Ironically, however, at least since the 1970s it has often been the lower levels of administration that are more modern and function to relatively meritocratic criteria.

Roll-out of public services and infrastructure

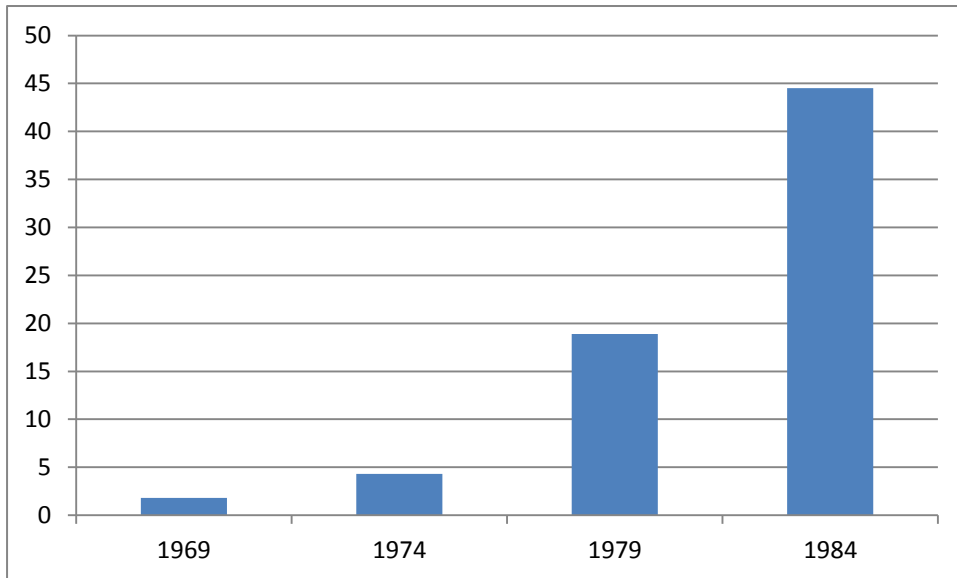
While GCC governments have seen considerable corruption and waste during the oil boom period – an almost inevitable outcome of extremely rapid spending growth – they also managed to quickly roll out public services on a national level. Different from oil-rich states in sub-Saharan Africa for example, by the early 1980s all GCC countries had universal primary education, reasonable health care provision for nationals, a serviceable road network, and modern, if sometimes overstretched, utility services in all major towns. In the late 1960s, Kuwait was the only Gulf shaykhdom in which some of these things existed. For locals growing up in the 1980s, it was hard to imagine that Qatar’s only modern school was forced to close in 1938 for lack of funds, or that travel from the other Trucial States to al-Fujayrah was by boat until the late 1960s, as the UAE had no roads (the first major road, a 17 km connection from Dubai to Sharjah, was built in 1966).

The early rollout of health services that had started with first oil revenues drastically accelerated after 1970; local merchant and foreign providers like the American missionaries were largely pushed out of the picture as the government directly funded hospitals and clinics and paid foreign doctors handsome salaries. The same pattern of marginalizing private providers happened in other public services such as the provision of electricity and potable water and education. Due to small and uneducated local populations, reliance on expatriate expertise continued and in some cases deepened. The ranks of teachers remained dominated by expatriates, as there were insufficient numbers of literate nationals in the older generation and teaching remained a fairly low status “service” profession. The dominance of foreign teachers has been only gradually rolled back in the relatively poorer GCC countries of Bahrain, Oman and Saudi Arabia (and to a lesser extent in richer Kuwait) since the 1980s.

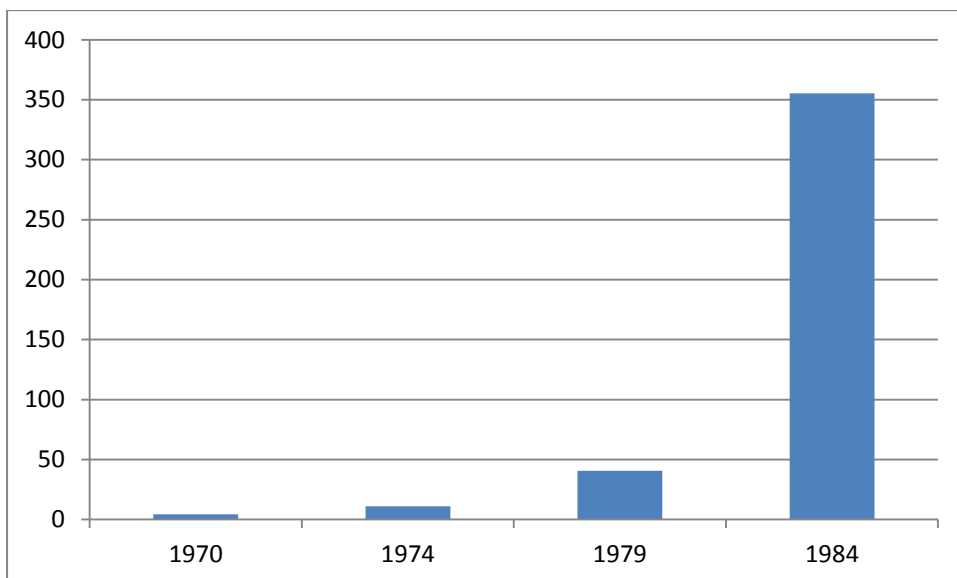
The overall improvements in GCC nationals’ material quality of life have been dramatic. As the post-WWII era began, the Arabian Peninsula was one of the poorest and least developed regions in the world. By 2012, all of the GCC countries had reached the upper half of the UNDP’s human development index, which measures life expectancy, education attainment and material wealth; only Oman did not make it into the top third. While none of the Gulf monarchies reached a top 30 spot among the 164 countries in the ranking – all scoring somewhat below non-oil countries with similar GDP per capita – no other oil rich country in the post-colonial world bar Brunei has witnessed a similar pace of improvement.

Graphs [XX] below illustrate the quantum leap in public service delivery on the Saudi example. Developments in other Gulf monarchies have been similarly dramatic, if starting somewhat earlier in some cases (Bahrain, Kuwait) and later in others (Oman, Qatar, UAE).

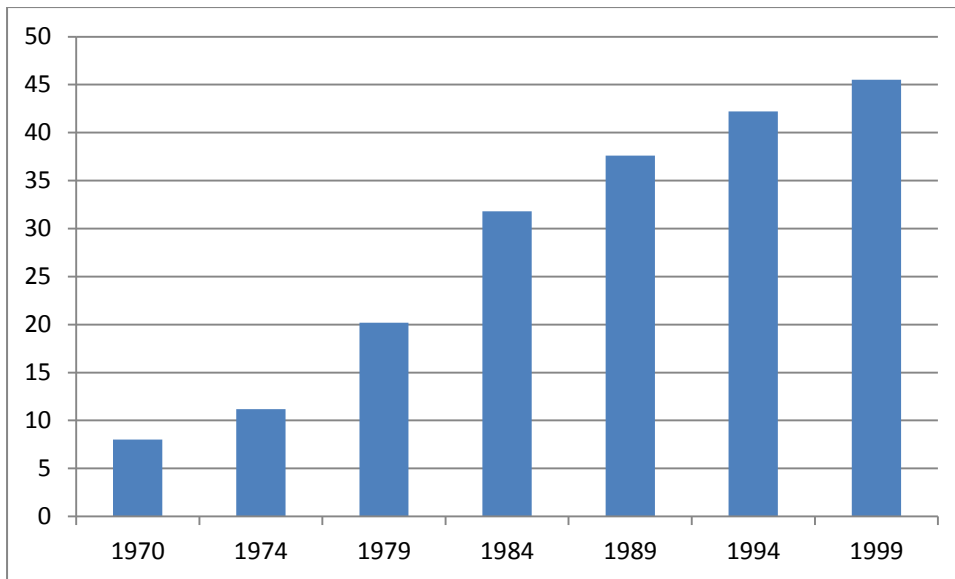
Graph XX.2 Annual electricity generation in Saudi Arabia, 1969-1984 (billion kwh)



Graph XX.3 Water supply from Saudi desalination plants, 1970-1984 (million gallons/day)



Graph XX.4: Paved roads in Saudi Arabia, '000 km



Consequences for state capacity

The unique pace of state growth in the Gulf monarchies has meant a multiplication of the states' "infrastructural power", as expanded infrastructure and public services increased control over individuals' lives even in remote areas. All births were now registered, schooling became compulsory, passports became a sine qua non for locals' entitlements to public services and for travel within the region, and national households were counted in censuses and registered through state-owned utility companies and as recipient of various other public services. Within a decade or two, most nationals, who at least in remote areas, had little exposure to modern bureaucracy up to the early 1970s now interacted regularly with the state and its rules.

States' regulatory power did not expand in a homogenous fashion, however. Due to their rentier nature, GCC governments never imposed systematic taxation of individual or household income, giving them limited control over and information about their citizens' economic activities or wealth, including in fixed assets like houses and land. To the present day, some of the GCC governments are struggling to build up a working residential registration or house numbering system, as is reflected in the ubiquitous custom of directing new visitors to one's house or office with improvised maps that are sent around by fax or email. GCC governments are also still struggling to impose compliance with basic rules in areas like traffic or waste management on their populations, and the habit of paying one's utility bills is also far from universal. Even if GCC bureaucracies are huge and function reasonably well in important parts, the modern state has not fully imposed – and indeed has to date had no urgent need to impose – a culture of rule-following in local societies. Its primary function has been to distribute rather than to regulate or extract resources.

Today's GCC governments receive fairly good grades for their bureaucratic performance compared to other oil states, ranking in the top half of the World Bank's international indicators on "government effectiveness", "control of corruption", "rule of law" and "regulatory quality" (the latter two are mostly focused on business-related aspects of law and regulation). Even if the most impressive improvements happened already in the 1970s and 1980s, the GCC's comparative success in building modern administration is a puzzle for students of resource-rich countries in the developing world, most of which have fared far worse both anecdotally and on relevant quantitative indicators.

On the face of it, GCC countries had few of the ingredients for modern state-building. They were characterized by weak pre-colonial and pre-oil state and economic structures, late independence

after an extended period of limited colonial institution-building, personalized and patrimonial rule, weak national and strong non-state identities. They are quite similar to sub-Saharan African oil states like Gabon, Equatorial Guinea, Nigeria or Angola, whose track record however has by and large been much bleaker since independence. The reasons for this difference are yet to be established by comparative historical research, but the more consensual transition from protectorate to independence, as well as the British empire's stronger reliance on and support for local ruling elites prior to independence, might have contributed to the longer planning horizons and stronger cohesion of GCC regimes that allowed more systematic state-building.

Internal structure of the state

Strategic sectors of the distributive state in the GCC have come to perform relatively well since the 1970s, notably in the areas of public service delivery, infrastructure provision, monetary and financial regulation, and public security. Expansion and modernization has not affected all parts of the state apparatuses equally, however. In fact, GCC states are characterized by remarkable heterogeneity, as ruling families have used different parts of the state for different purposes: some primarily for providing public services and pushing economic diversification, others primarily for keeping the balance of power and resources within the family, as well as broader patronage, co-optation of strategic sections of the population, and self-enrichment.

The rampant and indiscriminate over-employment of nationals that has spread since the 1970s means that performance standards have become hard to enforce in important parts of the administration, notably the less strategic segments of the security services. Some public agencies under long-term control of ruling family members have become impenetrable bastions of patronage and princely self-enrichment, with the Saudi Ministry of Defense – under the same minister from 1963 to 2011 – perhaps the most frequently cited example. Growth in the number of ambitious *shaykhs* and princes has often resulted in duplication of agencies and jurisdictions.

Examples of duplication include the fragmented Saudi security sector and, more recently, the “state within a state” that is the Qatar Foundation under Shaykhah Mawzah, and the Bahraini Crown Prince's economic bureaucracy that has come into existence in parallel to the Council of Ministers under the control of his great-uncle (prime minister since 1970). Such institutional redundancy has typically emerged at boom times, either in the 1970s or the 2000s, when purse strings were relaxed and allowed for personal ambitions to be satisfied and conflicts to be settled by granting new fiefdoms to all shaykhly contenders.

Compared to the 19th and early 20th century, there are fewer public disputes between ruling family members in the GCC now, not to speak of violent conflicts. This is probably because there are many more consolation prizes to go around compared to the zero sum competition over who would be ruler in the pre-oil era. As Peter Lienhardt has pointed out, the fractiousness of Gulf ruling families in the 1950s required rulers and their competitors to maintain public support. Although *shaykhs* still build clienteles, they are much less likely to directly mobilize them against their competitors these days. Conflicts instead are usually settled within ruling families, which have become much more socially distinct from surrounding society, not least as they can draw on their autonomous fiscal and institutional resources.

Institutions under shaykhly control have not always done badly, but they typically have been less accountable to the central government and less amenable to policy coordination with other agencies, thereby deepening state fragmentation. This issue has become more acute as the reach of members of ruling families into the state apparatus, already expanding in the pre-1971 period, accelerated in the 1970s. Oman is the only exception to this pattern, where powerful non-royal elite clans play a more important role in the top positions around Sultan Qabus.

Boom time budgets in the 1970s and again in the 2000s have also allowed for the carving out of new “pockets of efficiency”, that is, elite administrative agencies and state-owned enterprises in strategic policy areas that enjoy stronger bureaucratic autonomy, are under less pressure to over-employ nationals, and control independent budgets. Typically under the control of handpicked commoner technocrats, these bodies have been at the forefront of economic diversification in the Gulf and include entities like Saudi Arabian Basic Industries Corporation, DP World, Jabal ‘Ali Free Zone Authority, Qatar Industries and a variety of telecoms companies, airlines and sectoral regulators in finance, services and industry. Only in Kuwait are there no full-fledged “pockets of efficiency” as all parts of the administration have become entangled in the political conflict between government and parliament that has escalated since the 1990s, with a resulting politicization of staffing decisions.

Different from most other developing countries, the partial or full nationalization of the hydrocarbons sector from foreign concessionaires in the 1970s and 1980s happened in a coordinated and negotiated manner. It has historically also been an island of relative efficiency. This is particularly so in Saudi Arabia, where Aramco (“Saudi Aramco” since its full conversion to a formally Saudi entity in 1988) enjoys large operational autonomy and functions as yet another state within a state with its own infrastructure, clinics, schools and residential compounds – in which, uniquely in Saudi Arabia, women drive and genders are allowed to mix. In most other GCC countries, national oil and gas companies also enjoy considerable operational autonomy, but reliance on foreign expertise or joint venture partners is typically higher. Only in Kuwait have important parts of the oil sector become a political football in the conflict between government and parliament.

If any generalization is possibly about GCC states as they have evolved since the 1970s oil boom, it is that they are extremely heterogeneous. Some parts of their internal structures are world-class while others are hopelessly shot through with patronage and corruption. Some others, like the Saudi judiciary, have barely made the transition from the Islamic middle ages to modernity. Different parts of the state often do not talk to each other. The creation and reproduction of such heterogeneity and redundancy arguably has a lot to do with oil rents, which have reduced the short-term political costs of institutional sprawl and have often tempted rulers to spread patronage and solve new problems with creating ever more new institutions rather than reforming existing ones.

Economic consolidation

With a large and omnipresent state came the unification of markets and the penetration and redefinition of most of them by the state’s distribution and regulation. This capped a secular process of expansion, from a simple economy in which government played no or only a rudimentary role in the pre-colonial age, via increasing intervention during the time of the protectorate, to full state dominance in the age of the oil boom.

Decline of traditional sectors into insignificance

The decline of some traditional forms of production had already started due to such world economic changes in the 19th century as the invention of the steamboat and deepened during the Great Depression in the 1930s, as discussed in previous chapters. The 1970s oil boom rang the death knell for most of the remaining traditional activities. Traditional agriculture, local crafts and even much of the pastoral economy were marginalized by cheap imports. Both workers and entrepreneurs found much more lucrative opportunities in the new, urban, state-driven economy. To the extent that traditional handicrafts and pearling have recently seen a modest revival, this is on a purely folkloristic basis. It is not driven by economic considerations but rather by perceived threats to local societies’ cultural identity, as mentioned below.

Imposition of boundaries and tariff regimes

As outlined already in Heard-Bey's chapter, borders that had first been delimited under British tutelage were further consolidated, although some conflicts, often oil-related, lingered on, most notably the conflicts between Abu Dhabi and Saudi Arabia over their land border, and between Bahrain and Qatar over the Hawar Islands. Boundaries became important because they controlled the previously unregulated flow of persons across borders. Borders meant reduced mobility, especially for non-GCC nationals, both merchants and workers. The introduction of central banks and national currencies also marked GCC markets as discrete entities in the international political economy. The exchange rates of all of the new currencies were fixed to the US dollar,⁴ integrating them more deeply into the Western capitalist order while further underlining the relative separation from the Indian sub-continent, whose rupee previously had been a leading currency in Arabia's littoral states.

Unlike many other developing countries, GCC governments did not use their control over borders to impose high tariffs. While there was select protection for some local sectors of production – such as dates in Saudi Arabia – there were few modern industries to shield against international competition. Even protective tariffs for new- state-driven sectors like heavy industry typically remained in a moderate range, as these industries were instead supported through subsidized loans and inputs. Low tariffs allowed large-scale imports of consumer and capital goods to feed the local economic boom and, together with large-scale labour imports, somewhat lessened the inflationary impact of rapid economic expansion.

Creation and reproduction of merchant and industrialist classes by the state

The continuation of the Gulf monarchies' historical pro-trade position handsomely benefited the local merchant class, which controlled the import trade. Gulf merchants were never under direct political and ideological threat as was the case in Arab republics and many other developing countries, where capitalists witnessed expropriations and social marginalization under nationalist and Third Worldist movements.

This has given continuity to parts of the merchant class over centuries. As Michael Field has documented, several of the large families go back to the 19th or even the 18th century. The boom however has also created space for newcomers and, more important, the persistence of many business lineages belies a fundamental shift in Gulf merchants' economic and political role.

For one, merchants were increasingly brought under the purview, however imperfect, of expanding state regulation. After WWII, company laws, commercial registries, licensing rules, labour laws, investment laws, zoning regulations and the (usually state-led) creation of chambers of commerce forced private business into regular interaction with, and submission to, national bureaucracies. That being said, regulations were often honored in the breach and informal state-business networks made the bureaucracy supple for manipulation by better-connected players.

An even more important and all-encompassing shift in state-business relations happened on the level of resource flows. Merchants in the 19th and early 20th century often financed the rulers' miniscule state operations through customs payments and loans (whose repayment was far from guaranteed). Combined with a relatively high geographic mobility which gave them a credible exit threat – as shown in the economics chapter – this imbued them with considerable political power vis-à-vis rulers. In the post-WWII period, especially from the 1970s oil boom on, oil rents made states fiscally autonomous and it was merchant operations that were financed by the growing state, both through direct state procurement contracts and through broader demand creation in the local economy that resulted from increasing state spending.

⁴ Kuwait's Dinar was later pegged to a (dollar-dominated) currency basket.

With their tax contributions and loans not needed anymore and their services easily replaceable, local merchants had nothing essential to offer to local governments anymore. Although the business class grew immeasurably richer and initially at least retained much of its social prestige, in macro-economic as well as political terms, it became entirely dependent on government. In fact, as Michael Field documents in his great chronicle of Arabian business families, the largest individual fortunes were all made possible by ruling family patronage; those who fell out of favor politically also quickly saw their business prospects diminish. While some old families were marginalized, new ones such as Bin Ladin in Saudi Arabia or Al Fahim in the UAE would emerge quickly, many of them of foreign origin.

At the same time, wider sections of ruling families became themselves increasingly involved in commerce, notably in Bahrain, Qatar, and Saudi Arabia, both as “silent partners” and as official owners of businesses. As rulers – with the exception of Kuwait after the 1980s – directly controlled state lands, the shaykhly presence became particularly strong in the areas of real estate and land trade. Dubai is probably the most extreme case of shaykhly commerce, as the entire emirate with all its state-owned enterprises in many ways functions like Shaykh Muhammad bin Rashid’s private business.

By the early 1980s, most of the new business turf had been parceled out and the dominant merchant families from 30 years ago still tend to be dominant today – although the creation of new riches *ex nihilo* is still possible. As Rivka Azoulay has documented, then Kuwaiti prime minister Shaykh Nasir bin Muhammad facilitated the ascent of new Shiite merchant families such as Bukhamsin and Haydar as highly visible political clients as recently as the 2000s.

As money-making opportunities in the oil age were local and tied to individual states and shaykhly elites, the international mobility of merchants has been much reduced. Gone are the days when parts of a family would be based in Karachi or Mumbai and others in the Gulf. In another sign of nation-state consolidation, citizenship has also become an essential prerequisite for making it to the top of the merchant class. The UAE is the only GCC country where a few important Indian families such as Yousuffali made fortunes in the oil age without the benefit of a local passport – but even there, distinct from the protectorate period, the very richest and certainly the most powerful players are all of local stock.

A fair number of naturalizations happened into the 1970s across the region, giving non-Gulf Arab businessmen a chance to integrate into the local merchant elite. The most notable example is perhaps Lebanon’s Rafik Hariri, who came to Saudi Arabia as a teacher in 1965 but soon afterwards became a contractor billionaire and Saudi citizen thanks to then Crown Prince Fahd’s patronage. Such social mobility for non-locals ended with the closing of the first oil boom in the early 1980s however. With the exception of Bahrain, naturalizations of foreigners have become very rare.

Citizenship was crucial not least as oil-era business regulations imparted commercial privileges on nationals: In another reversal of colonial patterns, certain business activities, such as representing foreign firms, acting as contractors for local governments or simply owning land and holding majority business ownership in specific sectors, were now limited to nationals. This would give a boost to some of the existing merchants, but would also create new fortunes for newcomers of humble background who in many cases could not read or write. With local capacities limited, much of the heavy lifting during the oil boom was in fact still done by foreign companies as joint venture partners or sub-contractors, while the role of local merchants, both old and new, was limited to that of go-betweens and commission agents. Over time, however, such protectionism allowed local

business to accumulate capital and expertise and develop more substantial in-house operations, especially in contracting.

From the 1970s on, Gulf merchants also started investing in modern industries, which had been nonexistent in the Gulf before. Here again, they followed the lead of governments which provided them with infrastructure in “industrial cities”, soft loans, cheap inputs, and in some cases purchase and price guarantees. Within a few decades, substantial production capacity was built up in basic construction materials, plastics, final assembly of machines and consumer durables and, especially in the Saudi case, agro-industry and food processing.

Although the boom has made Gulf merchants incomparably richer and they have diversified into numerous new sectors, their relevance for the total economy has nonetheless strongly declined. In many areas, the rentier state has taken over functions previously performed privately. As mentioned in other chapters, many of the early schools and hospitals in the Gulf were set up and financed by merchants. The same is true for municipal electricity and water services. In all these areas, the state has taken over and directly provides free or strongly subsidized services to locals. Only in the recent decade or so have some private businesses carefully started to invest again in these sectors, although under rather tight regulatory control by government.

Emergence of public industries

The state also often led in the development of new economic sectors. Airlines, international trade logistics, heavy industry, railways and overseas telecoms investments were all pioneered by state-owned enterprises like Emirates Airlines, SABIC, or DP World. Local merchants who, if at all, followed into these areas only once their commercial viability had been demonstrated. Oil-rich governments were in a better position to take on long-term planning tasks and risks and provide capital on the scale needed for many of these ventures. Private capitalists often stuck with more predictably lucrative, shorter-term investments.

Merchant politics

Given their reduced structural role, it is unsurprising that merchants, once leaders in the nationalist opposition in Bahrain, Kuwait and Dubai, have become rather marginalized in the political arena. Despite their riches, they do not play an essential role anymore for sustaining local regimes. They resell goods largely produced outside of the Gulf monarchies, provide no significant state revenue and for the most part do not even employ significant number of local citizens. Different from advanced capitalist states, where citizens are linked to capital through jobs and taxation that finances public services, the oil age has brought about a disconnect between merchants and most nationals, an argument most vividly illustrated in Michael Herb’s work on Kuwait and the UAE. Capitalist interests have systematically lost out in the few cases of free elections in the Gulf.

As Jill Crystal has shown, the Kuwaiti merchant class has retained more corporate coherence than that of other Gulf monarchies, but due to Kuwait’s relatively open politics, they have nonetheless largely been marginalized in the open political competition. It is in the more authoritarian Gulf states that merchants seem to have more influence over policy, although even there, their policy lobbying is mostly reactive, and they have lost collective agency as they have become tied up in vertical, individualized networks of clientage with the ruling elites.

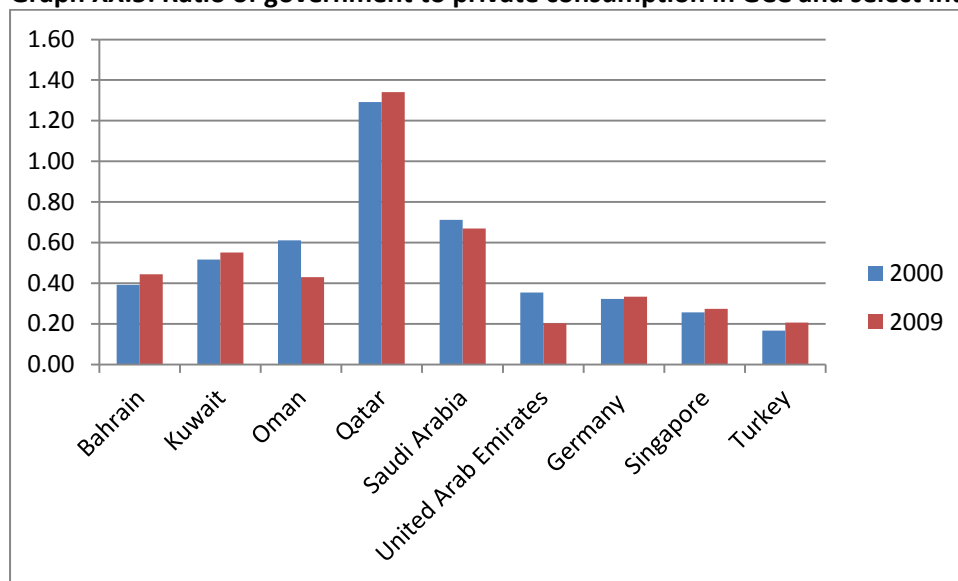
No other autonomous class emerging

While the expansion of the state has undermined the political role of merchants, it has left no space for other classes to emerge either. The role of a national labour class has been “contracted out” to expatriate residents who are divided by nationality and can be, and have been, easily deported if their presence becomes a political inconvenience. State employment has created a large local

middle class, but one that is by definition state-dependent and lacks a shared class identity – with the notable exception of Kuwait, where public sector labour is rather well organized and unionized. As most resources are concentrated under the control of the state, there is no autonomous class that plays any necessary role in the local political economy. In purely functional terms, everyone in a distributive economy is dispensable, including the merchants.

Despite governments’ pro-capitalist rhetoric and policies, the Gulf monarchies’ rentier status makes them highly statist systems, as the below statistics on the ratio of public to private consumption illustrate. What is more, there has been no clear trend to reverse this situation. Since the 1970s oil boom, the Arabian monarchies have consolidated their national markets largely through state growth and government policy; private agents have been secondary in the process.

Graph XX.5: Ratio of government to private consumption in GCC and select international cases⁵



Source: UNSTATS

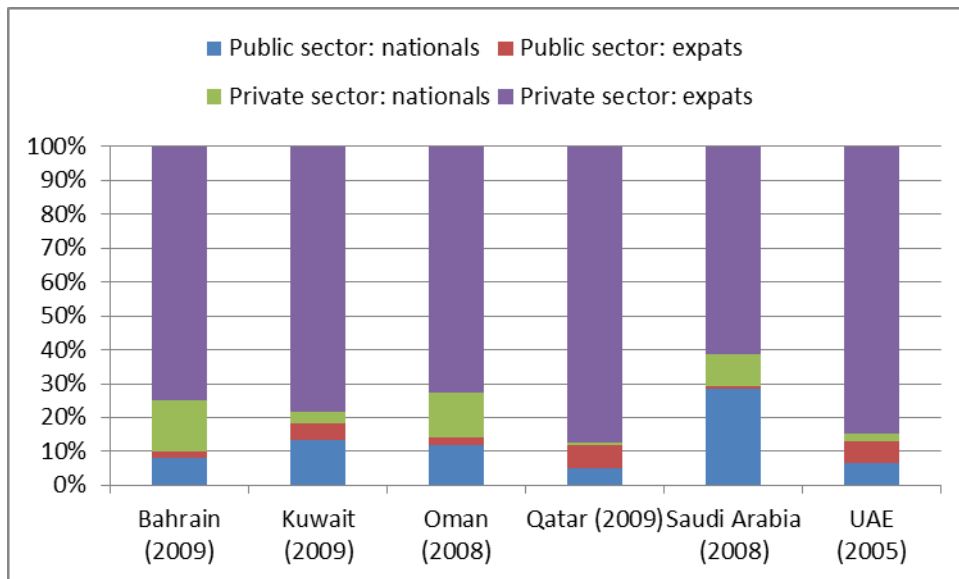
State-society relations

The dominant role of the state and its representatives has also come to characterize the Gulf monarchies’ state-society relations more broadly. Since the onset of oil production, increasing swathes of GCC societies have been integrated into the concentric patronage networks of the modern rentier state. The increased spread of informal and formalized clientelism has fundamentally reshaped local politics.

One token of increased dependency is the growth in state employment that started in the 1970s. By the 1980s, it had resulted in a segmented labour market where most nationals were government-employed while the bulk of private sector workers were expatriates, whose number started to increase drastically from 1973 on. This situation has remained essentially unchanged since (see graph [XX.6] below).

Graph XX.6: Segmentation of GCC labour markets by sector and nationality

⁵ The UAE figures probably understate the government’s role, as outside of Dubai private sector activity is limited and it is not clear whether the UN figures for government spending and consumption include Emirate-level government and public company activities.



Source: national agencies

Role of public employment

In Saudi Arabia, the Ministry of Interior alone had a reported 800,000 employees in 2011, more than the number of citizens working in the whole private sector at that point. Private sector participation of nationals has remained somewhat higher in Bahrain and Oman, but even there the share of nationals in public employment since the 1970s boom has been much higher than elsewhere in either the developed or developing world. Indiscriminate public employment of citizens has helped to create a sizeable national middle class and spread wealth reasonably widely, though not necessarily in a fair and transparent fashion. As national employees are near impossible to dismiss, this has also led to performance problems in national bureaucracies.

Subsidized services

GCC citizens have also become dependent on the state for subsidized or even free electricity and water services, cheap transport fuel as well as free healthcare and education – all policies that were rolled out in the course of the 1970s-80s boom era.

In the richer Arabian monarchies, the government has also been providing citizens with free or subsidized housing, housing grants, or soft housing loans, which are often announced by and named after members of the ruling family, possibly because such “lumpy” and discretionary generosity is particularly apt for creating personal gratitude. Interestingly, Gulf regimes have created little by way of a modern welfare state since the 1970s: unemployment benefits and insurance have been introduced only in recent years, if at all, and other social welfare payments are skimpy and unsystematic. The modern and institutionalized nature of such entitlements, which make their provision less amenable to rulers’ or bureaucrats’ individual discretion, might be part of the reason.

As a result of an omnipresent distributional state, there are few autonomous resources in society. Most services that GCC citizens consume in daily life are state-provided, as is most of their incomes. No citizen anywhere else is as much in touch with, and dependent on, the state as GCC nationals are, and in no other rich country do citizens contribute so little to the state in terms of taxes.

Decline of intermediary elites: tribal leaders

The direct outreach of the Gulf governments to their citizens has meant a decline of local social elites, including clans traditionally ruling provincial towns, urban notables such as merchants and religious leaders, and rural elites like tribal *shaykhs* and village leaders. Depending on their specific

position, social elites in the pre-oil era could contribute taxes, military forces or the allegiance of their communities to rulers, and could offer their communities protection, employment, economic support, and representation of their interests vis-à-vis the ruler. All these functions have declined with the states' expansion. Local elites have moved from a very powerful political position in the pre-oil era of weak states to a marginal position in the face of a dominant state in the oil age.

The decline has perhaps been the most precipitous for inland tribal leaders, as these operated in the environment with the least state presence before oil, and the groups they led enjoyed the highest military and economy autonomy from the proto-states of the time. The destruction of the pastoral, caravan and raiding economies during the 20th century made the tribe unviable as an economic entity and rendered tribesmen increasingly dependent on urban employment. This process strongly accelerated with the oil-driven urbanization from the 1970s on, however much tribes might have resisted bureaucratization of daily life. As mentioned above, the imposition of the state's monopoly of force deprived tribal leaders of their role in adjudicating disputes between tribes. As Peter Lienhardt has noted, tribes' segmentary system of dispute settlement in any case does not work well for an urbanized society, as it would involve too many larger groups in conflicts; the ruler by default becomes more important as arbiter.

While disputes between tribes still occur on a small scale, they are now often resolved by ruling family members, whose benevolent intervention is often trumpeted in the local media. The loss of autonomy among Saudi *shaykhs* was vividly demonstrated in late 2003 when newspapers reported that a succession dispute in a southern tribe was solved through an election decreed by the Ministry of Interior.⁶ The first ever 2006 internal elections in another southern Saudi tribe were equally supervised by the state, with the winner's name requiring approval from the "highest authorities".⁷

For a while, politically skilled tribal leaders managed to maintain or even boost their social status by acting as intermediaries on behalf of their communities, convincing rulers or bureaucrats to make state infrastructure and resources – healthcare, loans, vehicles, agricultural extension services etc. – available for their community or its individual members. Through this, however, they became part of the state's networks in a process that anthropologists like Madawi Al-Rasheed have called "encapsulation". For many of them, it was a first step towards their political irrelevance, as they became dependent on the benevolence of the state's representatives.

As modern administration grew from the 1970s on, it was increasingly able to directly reach out to even rural citizens, bypassing traditional elites. This is not to say that all of them lost their intermediary role, but where they retained it, their role was granted by the state which could also withdraw it – and which in a context of often personalized administration could also be taken up by individuals other than the traditional elites, be they the new bureaucrats themselves, newly urbanized members of a tribe or lower-level members of the ruling family. While tribal identities persist socially throughout the GCC, tribes have lost their coherence as autonomous political actors, severely reducing the political role of their leaders. The top tier of leaders in large tribes in some cases simply disappeared.

John Peterson illustrates the process of tribal decline in the Omani example, where inland state-building happened later than in the rest of the region. During Sultan Sa'id bin Taymur's rule until 1970, his often ineffectual local representatives, *walis*, existed in parallel with tribal *shaykhs*, and the latter were often able to intercede with the state directly on behalf of their communities. When the direct presence of the state increased after the defeat of the Imamate in the late 1950s, tribal power started to decline, and with it the *shaykhs'* role. The nomadic tribes submitted last to the centre's

⁶ *Gulf News*, 18 December 2003.

⁷ *Khaleej Times*, 10 May 2006.

power. An emblematic moment came when Sultan Qabus, after the coup against his father Sa'íd, put an insubordinate Ahmad bin Muhammad al-Harithi under house arrest. Al-Harithi was a prominent tribal leader who had provided important support for Sa'íd bin Taymur during the 1950s war with the Imamate. There was no place for his political ambitions in an age of administrative modernization in which tribal elites were only allowed to play a marginal role.⁸

Decline of intermediary elites: urban leaders

Pre-oil social elites in urban areas were never as autonomous as tribal leaders, but due to their comparatively large resources, they nonetheless played important political and social roles. They provided finance for the ruler, embryonic public services and employment to local residents, and represented local communities – city quarters, sectarian and ethnic groups, the city's inchoate social classes – vis-à-vis the ruler. As the state reached out to communities more directly and earlier in urban settings, urban notables lost their political functions even more quickly. Tied up in vertical networks of patronage centered around the state, urban communities also often lost their cohesion. While intermediation and intercession often still happens on an individual level this does not necessarily happen through traditional community leaders.

In some cases, with the marginalization of traditional social elites, community leadership has also been taken over by ruling family members. In Saudi Arabia, for example, regional governorships used to be held by local aristocratic clans or cadet branches of the Al Sa'ud but since the 1960s have been increasingly filled by princes from the core Al Sa'ud family. Even sub-governors (*muhāfīzun*) are now often princes. While commoner clans are very important in commerce, none of them have today the quasi-permanent claim on representation in the state that some enjoyed in the 1950s and 1960s. In the Oman, Qatar and the UAE, some urbanized tribal clans have managed to convert their traditional social influence into more permanent administrative power thanks to their proximity to the rulers. Examples include clans like al-'Atiyah and al-Misnad in Qatar; Mansuri, Dhahiri and Suwaydi in Abu Dhabi; and members of the *shaykhly* families of the Bani Hina, Bani Qitab, and Bani 'Umar tribes in Oman.

In all of these cases, they are very clearly subordinate to the ruling families, however. How much political space the ruling family has left for other clans differs from case to case. In Qatar for example, the ruling family today plays a very large role in both politics and business and apart from al-'Atiyah and al-Misnad, there are no really powerful clans. In Oman by contrast, the ruling family occupies few strategic offices and has limited business operations, leaving more room for important commoner clans, some of non-tribal stock. All important commoner families remain clearly subordinate to the *sultan*, however, who had no compunction sacking several long-serving and powerful ministers from important families in the wake of the 2011 unrest.

Social elites and the mediation of state resources ("wasta" etc.)

Traditional social elites in the Gulf were never removed violently like the old strata of "notables" in other Middle Eastern countries like Syria or Iraq. They have kept the accoutrements of their historical social status but their role is much diminished politically. They and the communities they might aspire to represent are much less autonomous and coherent today. They have been edged out or at best co-opted by the bureaucracy and, in many cases, expanding ruling families. Just like tribal leaders, traditional urban leaders have been "encapsulated" by the distributional state. The state has created new bureaucratic elites – some descending from old social elites, others of more modest social background – but these have been far less coherent and autonomous than the notables of old.

⁸ The rulers of the smaller emirates in the UAE are "in-between" figures: their role should have diminished, but did not, arguably due to the peculiar nature of federal state-building in the Emirates that accorded them an important formal role and considerable local power.

None of this is not to say that informal networks and intercession by higher-ups do not play a role in state-society relations anymore. Informal intercession often happens to the benefit of individuals rather than larger groups however, and is often channeled through new intermediaries around the state and the ruling family: courtiers, advisors, lower-level relatives of the rulers, well-placed bureaucrats, members of parliament etc. In fact, the boom created whole new strata of access brokers that made state resources and services – contracts, licenses, jobs, housing, benefits etc. – available to less well connected individuals on all levels of society, including resident expatriates. Access brokers could range from billionaire arms traders to poor widows holding taxi licenses that they rent out to foreigners. Many of them were not part of traditional social elites anymore. The only thing they typically had in common was a local passport.

Role of ruling family

The one social group that won power and resources in both relative and absolute terms in the oil age were the Arabian ruling families. Already privileged and somewhat differentiated from local society through colonial support in the 19th and early 20th century, they practically became a caste of their own through their control of large external oil rents after WWII. Being at the top of large and fiscally autonomous states, they were able to take on leadership functions not only in politics and business but also local communities and civil society. Most of the important charities in Bahrain, Qatar, Saudi Arabia and the UAE for example have a shaykhly patron nowadays, and much of local media is controlled by ruling family members. In Kuwait, Al Sabah expansion into business and civil society has been more contested, yet it also continued steadily until at least the 1980s. The only exception to the long-term pattern of ruling family ascension and expansion is Oman, where more power is concentrated in the *sultan's* hands.

In all cases, despite the rapid administrative, economic and social change, the dominant political role of ruling families has been a constant through the period of state consolidation. The autocratic constitutions introduced since the 1960s have remained largely unchanged. With the partial exception of Kuwait with its powerful parliament, the mode of governance remains Oriental patrimonialism unencumbered by separation of powers.

Re-invented social identities

The reversal of power relations and the new distribution of resources between state and society in the oil age often had surprisingly little impact on social identities on a surface level. Although the GCC is highly urbanized today, tribal identities continue to be strong and there is little intermarriage between nationals of tribal descent and those of uncertain stock (often given derogative names like “khadiri” in Saudi Arabia and “baysari” in Kuwait). Sectarian identities remain very strong in Kuwait and Saudi Arabia and they have become even stronger in Bahrain throughout decades of domestic strife. Sub-national, regional identities remain socially powerful in the UAE, Oman and Saudi Arabia.

Several idiosyncrasies of Gulf state formation might explain such persistence: the need to cling to established frames of reference in the face of rapid change, the weakness of conventional class formation mechanisms in which ascriptive identities might be replaced by functional ones (such working class, professional, or capitalist), the absence of a war of independence or revolution that might weaken traditional social divisions, government repression that has prevented modern political identities to spread, regime policies to reproduce traditional identities in a folkloristic fashion, and above-mentioned regime strategies to encapsulate traditional elites in a subordinate yet socially visible position. More generally, as primordial politics are alive and well in many post-colonial countries, their persistence in very late developers like the Gulf monarchies should perhaps come as no surprise.

But while traditional identities persist, they have acquired different functions. With the exception of Kuwait, most status groups in society are not capable of autonomous collective action, at least not without attracting the regime's wrath. While tribes used to be able to remonstrate collectively in front of a ruler's house – often brandishing their guns – petitioning now happens through individuals and often on behalf of individuals. The groups that have retained relatively higher political coherence are often socially marginal, like Shi'ah in Bahrain and Saudi Arabia.

There have been political challenges from middle class groups such as the "Sahwa" Islamist movement in Saudi Arabia in the 1990s. However, as chronicled by Stéphane Lacroix, the regime was able to quash this movement rather easily as its most important constituents were dependent on the state. In Kuwait alone – the country which has also been the most exposed to Arab nationalist ideologies – does the ruling family meet organized opposition grounded in a wider middle class and faces new political elites in the shape of middle class members of parliament.

Consequences for politics

The Arabian monarchies have witnessed a radical shift from a weak state and strong social elites before the British protectorate to an omnipresent state and emasculated local elites as a result of state consolidation in the 20th century. While the state's penetration of society in regulatory and especially extractive terms remains relatively weak, society's integration qua clientele of the paternal state is deeper than almost anywhere else in the world. As vertical links of distribution and patronage dominate state-society relations, society remains segmented into individual clienteles and much of GCC politics is a quest for state resources among rival contenders.

Ruling families have set themselves up as powerful, if often internally divided, arbiters above the fray. This does not mean that they are entirely autonomous from social forces. While the latter are often weakly organized, the distributional obligations created by Gulf states' patronage policies are sticky and hard to reverse. Clientelism, even if asymmetrical, creates mutual obligations. The deep penetration of society by the state means that there are few autonomous social spheres. But conversely, the state has often been penetrated by social interests on a micro-level, be it bureaucrats favoring their relatives or policemen not issuing speeding tickets to members of their own tribe. The fragmentation of the state apparatus analyzed above further limits its autonomy.

National identity

While traditional social identities persisted during state consolidation, they were accompanied by a parallel strengthening of national identities. As small, rich and vulnerable states in a volatile environment, Gulf regimes have been particularly keen to prove and consolidate the nationhood of their newly independent countries. All have therefore pursued targeted policies to inculcate national belonging and patriotism through school education and media campaigns. Perhaps more important, however, national identities emerged through the shared exposure of local citizens to a growing state apparatus.

We have seen above that as the state expanded even into remote areas, its activities became all-encompassing, registering and educating nationals, employing them and providing them with subsidized goods and services. The bureaucracy created shared experiences, both positive and negative, for the large number of nationals employed by it and the millions forced to regularly engage with it. Most people on the Arabian Peninsula used to live separate lives in largely local contexts in the pre-oil age. Thanks to a ubiquitous state, they came to think of the same national bodies and policies while pursuing and discussing their own material interests and daily lives. This structural process made them conceive of themselves, even if unwittingly, as nationals of their respective state – even without more coercive tools of building national identity like military conscription. Social life, civil society and media in the GCC have been deeply shaped by, and are

difficult to imagine without, the region's huge and highly centralized state apparatuses.⁹ These leave only limited space for local decision-making or mobilization of resources, and orient interests almost by default towards the center.

Although it is hard to prove directly, this strong shared frame of reference, combined with almost universal literacy and increased travel, must have contributed to the stronger national identities we witness today in the Gulf in public and social media, daily behavior, language and sometimes sartorial choices. A modern idiom of national identity has moreover emerged in the shape of poetry, sporting events and other public, often state-organized activities. Gulf citizen populations have also become more culturally homogenous in terms of dress, religion and language as the modern Gulf states consolidated. As states have become closely identified with the ruling families controlling them, the latter have by default also become an essential part of the Gulf countries' identities, to the extent that Saudis carry the name of their ruling family.

National identity has arguably also been strengthened by the deep legal and material cleavage that new regulations created between citizens and expatriates after independence and in the course of the oil boom. While naturalizations became rarer, national privileges in commerce, employment and entitlement to public services became ever more pronounced. The lingering problem of stateless Gulf Arabs, *biduns*, in the modern era would have been unimaginable in the pre-oil age when citizenship either did not exist or made little difference to one's material status.

The growing presence of expatriate workers also contributed to a defensive strengthening of national identity. The presence of expatriates in the littoral shaykhdoms is nothing new. As Rosemary Said Zahlan reports, a full 39% of the Qatari population in 1939 were foreigners, including "Negroes" and Persians. The foreign presence, however, multiplied with the oil boom and resulted in nationals becoming a (small) minority in Kuwait, Qatar and the UAE (see graph [XX] above). Arab expatriate workers, who still constituted 75% of expatriate residents in 1975, have since been increasingly replaced with Asians.

The social distance between nationals and non-nationals has widened further as a result, and perceptions of cultural threat, already extant in the 1970s, have become acute especially in the smaller and richer GCC countries. While nationals' individual identity as citizens is beyond doubt, the countries' national identity as a whole is in question. UAE authorities have recently embarked on a series of programs to strengthen feelings of national belonging through media campaigns, festivals and summer camps. This will do little to allay nationals' concerns as long as public space is dominated by foreigners. The UAE has gone furthest in leveraging oil riches to turn the country into a global business hub, but as a result they have also gone furthest in threatening the country's very national identity that was made possible through post-1971 oil-fuelled state-building in the first place.

Conclusions

This chapter has argued that the states that now form the Gulf Cooperation Council have consolidated their power largely at the expense of local society after WWII. In the *longue durée*, the societies of the Gulf monarchies have shifted from statelessness or very weak states in the 18th century to comprehensive state dominance in the early 21st. The outlook of communities and individuals has moved from self-reliance to deep dependence on the state. Although states tended to grow in political power and capacity throughout the world during the 20th century, nowhere was the shift as fast and deep as in the GCC. On the back of rapid bureaucratic expansion and a one-sided

⁹ Again, the UAE represents a partial exception to this pattern, as modern state structures exist both on the Emirate level and the federal level, giving most UAE nationals a twin identity.

flow of resources from state to social clients, independent social forces have been co-opted and made part of expansive patronage networks. The distributional state in the Gulf has deeply reshaped social classes and has in some cases created new classes from the ground up, shaping new national identities in the process.

At the same time, the rapidly growing distributional state itself has become very heterogeneous, consisting of unreconstructed patrimonial fiefdoms in some parts and efficient modern bureaucracies in others. Large external rents made rapid expansion of the state into very different directions possible and, in the short-run, limited its political cost. Rapid growth has also meant penetration by social interests and informal networks on a micro-scale. In comparison with other oil states in the developing world, however, the performance of GCC administrations is rather impressive; the region has survived the sudden jolt into technical and bureaucratic modernity better than many other petro-states.

Rapid state expansion has created new social and political hierarchies and a deeper social stratification, with ruling families in a very distinct position at the top not only in politics but also, in many cases, fields such as business and state-licensed "civil society". Non-ruling merchant and aristocratic elites have often done well materially out of the process of state expansion, but have lost their political autonomy, much of their social capital and become appendices of the regime. Traditional ascriptive identities continue to be strong in Gulf societies, but usually have a residual cultural function now as ascriptive groups have lost their political autonomy and cohesion.

The Gulf state, however incoherent, is omnipresent, yet society has not been homogenized by it. State-building was based on rent distribution rather than capitalist growth, resource extraction, war, or national struggle. Therefore, conventional class and identity formation processes have not occurred in the Gulf. Both state and society are fragmented, but thanks to oil, the former has emerged much stronger than the latter.

Bibliography

While there are good country histories that cover issues of state formation and consolidation in the Gulf, there is little comparative or cross-GCC work on these matters. Many of the themes covered in this chapter have been analysed in depth for specific countries but much more superficially for others.

Gregory Gause's "Oil Monarchies", although slightly dated, remains the best, historically grounded overview of Gulf politics and state-society relations. Rosemarie Said Zahlan's "Making of the Modern Gulf States" provides the most compact historical summary of state creation in the Peninsula monarchies, but provides more of an event-focused history and contains less detail on the structural developments covered in this chapter.

Changes in state-society relations are covered in Rivka Azoulay's chapter "The Politics of Shi'i Merchants in Kuwait", which contains a useful discussion of elite co-optation and rivalry in a Gulf rentier state, while Jill Crystal's "Oil and Politics" is a seminal, more macro-oriented study of the shifting power between state and merchants in Kuwait and Qatar. Michael Field's "The Merchants" contains detailed case studies on the shifting historical fortunes of major Gulf merchant families up to the 1980s, combined with a survey chapter about their relationship to rulers and state. Michael Herb's article "A Nation of Bureaucrats" usefully analyses class relations in the UAE and Kuwaiti

rentier states, while Steffen Hertog's "Princes, Brokers and Bureaucrats" provides historical detail on bureaucracy formation and the resulting shifts in state-society relations in Saudi Arabia.

Mary Ann Tetreault's "Stories of Democracy" analyses civil society dynamics in Kuwait, the country that has gone furthest in avoiding oil-fuelled co-optation of elites and middle classes. Fouad Khuri's "Tribe and State in Bahrain" traces the evolution of tribal and class structures in the face of the emerging Bahraini state, while Stephane Lacroix's "Awakening Islam" is a detailed study of opposition politics in the shadow of the Saudi rentier state. Peter Lienhardt's "Shaikhdoms of Eastern Arabia" is an early yet very useful ethnographic study of changing power relations and social identities in the early oil age.

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