1 Framing the Gulf

Space, Scale, and the Global

Late in the evening of 31 August 2016, a 500-strong delegation of Saudi business leaders and government officials touched down in Tokyo, Japan. Arriving on 13 planes, the visit was led by Saudi Arabia's then-Deputy Crown Prince, Mohammed bin Salman al-Saud, who was scheduled to meet Japanese billionaire Masayoshi Son a few days later. Initially, the trip garnered little attention beyond scant coverage in the Saudi press. Its results, however, were to leave financial commentators worldwide stunned. The two men agreed to establish a $100 billion private equity venture, the SoftBank Vision Fund (SVF), pledging to invest in emerging technologies in order to realise 'a world where humans, devices and the internet are more closely integrated' (Primack 2016). The scale of the fund surpassed anything that the private equity (PE) business had ever seen. It would be the largest fund in history – vastly exceeding the past record of $21.6 billion raised by the PE behemoth Blackstone Group in 2006 – and worth more than all the money raised by the entire US venture capital industry over the preceding 30 months.

The record-breaking nature of this deal is one sign of the role that Saudi Arabia, along with five other members of the Gulf Cooperation Council (GCC)[1] – the United Arab Emirates, Kuwait, Qatar, Oman, and Bahrain – now play in global financial markets. Backed by large surpluses accruing from more than a decade of rising oil prices, Gulf investors, both state and private, have come to control a global asset base worth several trillion dollars. Ranging from banking, industry, technology, and real estate across Western Europe and North America, through to farmland, retail chains, and manufacturing plants in some of the poorest places on the planet, Gulf investments are encountered in virtually all countries and economic sectors. Many well-known international firms – Credit Suisse, Deutsche Bank,

[1] Throughout this book I avoid any claims over a national identity for the Gulf, reflected in the long-standing official disputes over nomenclature such as 'Persian' or 'Arabian' Gulf – I will simply refer to the region as 'the Gulf' and use terms such as Gulf Arab states or Gulf Cooperation Council (GCC) where appropriate.

Barclays, Volkswagen, Glencore, P&O, British Airways, Sainsbury's, and Twitter, to name just a few – now count Gulf investors as major shareholders or controlling owners. London property icons such as Camden Market, Canary Wharf, Harrods, the Shard, New Scotland Yard, and the London Stock Exchange are fully or partially owned by Gulf investors – even the US embassy in the United Kingdom pays rent to a Gulf landlord. And through a little-known acquisition that took place in 2014, a Gulf-based firm became joint owners of HC-One, now the largest operator of nursing and residential homes in the United Kingdom. Moreover, it is not only traditional business activities that have been targeted in this buying spree – some of Europe's most prominent football teams are controlled by individuals and firms based in the Gulf, or emblazon logos of Gulf firms on their uniforms and stadiums (Barcelona, Arsenal, Manchester City, Bayern Munich, and Paris Saint-Germain). Almost a decade ago, investments such as these led the global consultancy firm McKinsey to describe the Gulf as one of the 'new powerbrokers' in the global economy. Since that time, the oil price has crashed and much of the world economy remains mired in stagnation – nonetheless, as the SVF deal indicates, Gulf investments appear to continue apace. Indeed, in 2016, the net value of cross-border mergers and acquisitions made by firms based in the UAE, Saudi Arabia, and Qatar ranked twelfth in the world, coming in just behind net purchases from the United Kingdom (UNCTAD 2017, p. 231).

These cross-border capital flows form just one part of the Gulf's interaction with the global economy. There are, of course, other sides to this relationship. Most importantly are the Gulf's vast reserves of oil and natural gas, which remain critical to transport and industrial production across the planet. By 2014, the Gulf Arab states were responsible for nearly one-quarter of global crude oil and natural gas liquids production, a level that had risen from around one-fifth in 2000.[2] Over the same time frame, the Gulf's share of world exports of these commodities had grown from 27.6% to 32.5%. The circulation of such resources through global production chains – as energy or feedstock for other industries – has made the region, and by association the wider Middle East, a pivotal focus of global politics ever since the transition to an oil-centred world economy in the early twentieth century (Bromley 1991; Vitalis 2007; Hanieh 2011a; Mitchell 2011). They remain essential to understanding contemporary patterns of global capitalism – China's emergence as a major economic power, for instance, is heavily dependent upon oil from the Gulf, which now supplies around one-third of the country's total crude imports.

[2] Figures from International Energy Agency Database.

But the Gulf's involvement in international trade patterns cannot be reduced simply to its oil and gas exports. Today, the Gulf plays an increasingly central role in the worldwide circulation of *all* commodities. Gulf-based firms and the region's aviation and maritime industries are frequently described as 'global super-connectors' – transit routes that link different zones of the world market and integrate production and consumption across the planet. This is true for people as well as for goods. The Gulf now boasts the busiest airport in the world for international passengers – Dubai International Airport, which surpassed London's Heathrow Airport in 2015 (Ulrichsen 2016, p. 151) – as well as Dubai's Jebel Ali, the fourth largest container port in the world. The speed of the region's integration into global trade and supply chains – often lauded in business magazines as evidence for the foresight and outward-oriented vision of the Gulf's rulers – is held up as an exemplary model for other developing countries to follow. Indeed, many of the buzzwords that define the corpus of trade and logistics policymaking today – 'intermodal transport hubs', 'logistics cities', 'integrated free trade zones', and the like – find their preeminent examples in the Gulf.

As the Gulf extends itself globally it has likewise deepened connections to its immediate neighbourhood. Over the last two decades, the Gulf monarchies have taken a distinctive and highly consequential role in the affairs of most Arab countries. As later chapters will show in some detail, capital flows from the Gulf now encompass and dominate key economic sectors across the Middle East – reshaping patterns of ownership and control, and pivoting the centre of gravity of Arab capitalism increasingly around a Gulf axis. From 2003 to 2015, the Gulf was responsible for a remarkable 42.5% of total new (so-called greenfield) foreign direct investment (FDI) across 10 non-Gulf Arab states.[3] Mergers and acquisitions (M&A) figures further illustrate these trends. From 2010 to 2015, European, Gulf, and North American investors spent just over 20 billion euros on M&A in the Arab world – the Gulf's share of this was 45%.[4] At the same time as these economic linkages with the Middle East have

[3] Figures from country information reports, *Arab Investment and Export Credit Guarantee Corporation*, www.iaigc.net/ (in Arabic). Jordan, Egypt, Lebanon, Tunisia, Libya, Iraq, Morocco, Syria, Palestine, and Algeria. As Chapter 2 will show, this does not mean that Gulf investments went *primarily* to the Middle East region (the United States and Europe remained the principal focus). Relatively, however, the Gulf's weight within regional accumulation circuits grew in comparison to historical patterns and other foreign investment sources.

[4] Investment from the European Union (EU) (28), North America, and the GCC, going to Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, Syria, and Tunisia. Calculated from Zephyr M&A database. Figures include only confirmed M&A deals with known values.

intensified, so has the Gulf's political weight in the region. From the devastating wars in Yemen and Syria to the new governments that have emerged following the Arab uprisings of 2011, the Gulf states are now pivotal to the course of political processes across all Arab countries. The Gulf's political and economic interests increasingly superintend the regional system – one marked by massive polarisation of wealth and power, alongside unprecedented levels of violence, conflict, and mass displacement. Most strikingly, the struggle to contain and direct these regional trajectories has precipitated sharpening tensions between the various Gulf states themselves – and with other regional powers (most notably Iran). These patterns not only hold serious implications for the 'big' issues of Arab politics and economics; they also intensely mould the lived, day-to-day reality of social life for much of the Middle East's population.

All of this suggests that we can learn something about global capitalism and its spatio-temporal dynamics from the vantage point of the Gulf. Yet much contemporary writing on the global economy tends to marginalise the position of the Gulf, either ignoring it completely or viewing it simply as a source of oil or a protagonist in conflict.[5] As a result, the considerable flows of capital, commodities, and labour – both from and through the Gulf – are largely invisible in narratives around the making of the global. This partly reflects a more general geographical blind spot of political economy scholarship, which, as David McNally observes, typically focuses 'on a number of capitalistically developed nations – the US, Germany and Japan – and treat[s] the world-economy as largely an aggregate of these parts' (McNally 2009, p. 43). But even attempts to more fully integrate the role of 'emerging' markets into a global frame usually overlook the Gulf – the concept of 'BRICS', for example, terminologically excludes the Gulf, despite the region's striking parallels with these other rising powers.

One of the goals of this book is to address such theoretical and geographical gaps in approaches to the global. I seek to ask what we can learn about global processes from the perspective of the Gulf Arab states. In investigating this question, I will particularly emphasise the concurrent reworking of the broader Middle East – a regional shift that has been closely implicated in the Gulf's global trajectories. In doing so, I hope to show that approaching the world market in a top-down fashion – simply by focusing on what is going on in its 'commanding heights' – omits something very important about how the world works. Our

[5] Two recent exceptions to this are Chesnais (2016) and Norfield (2016), both of which will be drawn upon in the pages that follow.

understanding of the global must look beyond simply the additive interaction of individual national states – it needs to also incorporate an appreciation of how the *regional* itself is being reshaped as part of the making of the global. This is not only a matter of adding yet another case study to our understanding of global processes; it is about seeing the global *in and through* its relation to the Gulf, viewing the whole as more than just an aggregate sum of supposedly lesser or greater parts. By better understanding the relation between the global and the Gulf – including, most centrally, what this means for the Gulf's wider regional neighbourhood – we reveal something qualitatively new about the whole itself.

For evident reasons, scholarship on the Gulf itself has generally shown a much greater concern with the region's interaction with the global than the more general political economy literature. The Gulf, of course, has been bound up in global processes for many centuries. Situated along important trade routes connecting India, Europe, and East Africa, the region materialised within a complex network of overlapping land and maritime interests that involved British, French, Ottoman, and Persian powers. From the seventeenth century onwards, British colonialism emerged dominant among these respective empires. Utilising a combination of military force and diplomatic treaty-making with individual rulers – hence the name Trucial States given to the sheikhdoms of Southern Arabia – British colonial rule came to rest upon a political apparatus of agents situated across various Gulf port towns (Fattah 1997; Zahlan 1998; Fuccaro 2014). These coastal settlements not only constituted political and administrative centres for British colonialism and the lucrative pearl industry, but also bridged 'cultural and economic exchange between sedentary, agricultural, nomadic and maritime populations', serving as 'the hub of a dynamic regional and cross-regional maritime economy' (Fuccaro 2010, p. 20). The path-breaking research of Nelida Fuccaro has especially emphasised the globally constructed nature of the Gulf at this time, understanding 'the gulf littoral as the site of interconnections between different imperial systems … and as the nodes of different political and strategic frontlines, which demarcated larger areas of imperial influence' (Fuccaro 2014, p. 29). Notions of hybridity and cosmopolitanism are frequently deployed to describe these early Gulf societies – with their large immigrant diasporas, highly mobile workforces, and peripatetic merchants that linked transnational networks across the Gulf, India, and East Africa (Keshavarzian 2016).

By and large, this historical writing has consciously challenged periodisations of the Gulf that posit an overly sharp disjuncture between pre- and post-oil eras, showing instead a deliberate sensitivity to the complicated interplay of global, regional, and local dynamics that were to shape the Gulf's emergence. This approach contrasts with many popular conceptions of the contemporary Gulf, which tend to identify oil and the region's integration into global capitalism as marking a qualitative break with a so-called traditional past. Such binary antimonies, as Ahmed Kanna points out in a recent provocative intervention, accord well with the self-image projected by Gulf rulers, eager to present their models of development as exemplary crystallisations of the 'telos of urban modernity' (Kanna 2016, p. 109). By embracing the imperatives of globalisation, the Gulf not only represents what *should be*; it also stands starkly counterposed to 'the chaos and misery' afflicting other Arab states (p. 106) – an ever-present warning of what a rejection of the global potentially heralds.

Underlying this dominant view of globalisation is an instrumentalisation and reification of the global as a modernising force that exists 'out there', a process that arises externally, encounters the region in some form of pristine and undisturbed state, and then acts to irrevocably change it. Such inside/outside dichotomies ultimately rest upon an ontological division of the global and local as two separate spheres – interconnected, but discrete and spatially distinct. This ontological separation has encouraged a pervasive methodological nationalism in much work on the Gulf (and, indeed, on the Middle East more widely) – an assumption 'of the nation-state as the self-evident container of political, cultural, and economic relations' (Goswami 2002, p. 794). By viewing the global as a process or force existing external to the local, the nation-state is posited as a self-contained and discrete repository of social relations, with analytical attention drawn to the supposedly determinate factors operating inside national borders and the ways that these may shape patterns of interaction with an externally imagined outside. From this methodological starting point, much of the literature on the contemporary Gulf has traditionally sought explanations for the Gulf's developmental trajectory in various supposedly 'unique' internal characteristics: the institutional structures mediating the deployment of oil rents, Islam, authoritarian political regimes, tribal legacies, and the like. Consequently, the Gulf – as two insightful scholars of the region comment – is often treated as a kind of 'constructed exceptionalism' (Thiollet and Vignal 2016, p. 4), singularly distinct from not only other spaces 'in the Arab world, but also in the wider space of economic, cultural and political globalization' (p. 3).

In recent years, this dichotomous view of the local and the global has been challenged by a new generation of work that attempts to theorise the Gulf as a constitutive element to broader patterns of global processes and transnational flows – not apart from, or in reaction to, an externally posited outside. Scholars working on the region have begun to explore how the Gulf exists as a formative part of the global, examining such issues as the position of the GCC in the changing architecture of international power relations and global governance (Ulrichsen 2016; Vignal 2016), the place of Gulf port cities and logistical infrastructure in the circulation of global commodities (Ramos 2010; Cowen 2014; Khalili 2017; Ziadah 2017), the ways in which such global relations are embodied in development models and forms of Gulf urbanism (Kanna 2011; Menoret 2014; Kamrava 2016), and the historical and contemporary significance of transnational flows of labour and diasporas, which have created different kinds of non-state-centric networks between the Gulf, the Indian Ocean, Africa, and elsewhere (Gardner 2010; Alpers 2014; Khalaf et al. 2014; Hopper 2015; Bishara 2016). These and other works embody a common rejection of any exceptionalising frameworks, and also point to the importance of placing an analysis of class, capitalism, and social power upfront in our understanding of the region. As Rosie Bsheer has noted in a detailed survey of recent academic work on the Gulf, we must take seriously the fact that 'the authoritarian regimes of the [Arabian] peninsula were not formed outside class politics and global economic processes. On the contrary, class formation and dominant capitalist orientations were as instrumental to the production and maintenance of power in the [Arabian] peninsula as they were – and are – in states elsewhere' (Bsheer 2017).

This study is intended as a contribution to this emerging body of literature on the Gulf in two distinct ways. *First*, I endeavour to explore the co-constitution of the Gulf's political economy with that of the global. I argue (in Chapter 2) that the flows of Gulf financial surpluses are an essential component to understanding the concrete form of the contemporary world economy – a structure marked by persistent levels of overaccumulation, continued predominance of US and European capital, but the emergence of new centres of accumulation and political rivalries emanating from China, East Asia, and elsewhere. This uneven and hierarchical global structure, moreover, shapes the nature of capital accumulation and class formation in the Gulf itself, as I demonstrate in Chapter 3. *Second*, alongside a focus on this global-Gulf relation, I seek to integrate the Middle East as a whole into this analysis, arguing that the Gulf's location within the global has been articulated through shifting patterns of accumulation in the wider region. This is a critically important theme to the following chapters, which I will investigate through a detailed mapping of major economic activities in the Middle East – including agriculture and agribusiness; real estate development; urban infrastructure such as power, water, transport, and telecommunications; and banking and finance (Chapters 4–6). These interweaving spatial relations between the global, Gulf, and regional political economies help us understand why – as one astute observer notes – the Middle East's 'centers of economic, commercial, diplomatic and political gravity' have increasingly shifted away from the Levant and North Africa towards the Gulf (Kamrava 2016, p. 43). Moreover, they are crucial to unpacking the implications and potential trajectories – which, at this moment, remain open-ended – of the severe crises currently cascading through the Middle East (Chapters 7 and 8).

But before exploring these themes further, it is first necessary to clarify some essential analytical concepts. In the following section, I turn to the general theoretical puzzle, which is how to understand the interaction of different parts of the global political economy in a way that recognises *both* the distinct geographical spaces in which accumulation occurs and, at the same time, the unity of these spaces as part of a single whole. Answering this question involves grappling with a range of important conceptual debates: the nature of space in contemporary capitalism, the question of how objects of analysis (and concepts) relate to one another at an ontological level, and the interaction of the 'parts' and the 'totality'. These questions are critical to understanding the overall logic and argument of later chapters. Following this discussion, I will return to the specificities of the Gulf – providing a brief sketch of the six Gulf monarchies and their social structures, and then setting out in more detail the basic topics and chapter outline covered throughout the book.

1.1 Spaces of Neoliberal Capitalism

Much of the discussion in this book focuses on the near 30-year timeframe stretching from the early 1990s to the current day – a period marked by a major reworking of global production, trade, and financial networks that has become known as globalisation. A defining feature of these decades was the emergence of globally constituted value chains linking production of commodities in low-wage and poorly regulated zones outside the advanced capitalist core, the transport of these goods across increasingly complex logistical networks, and their final sale in markets centred upon the United States and Western Europe (Harvey 2005; McNally 2009). A whole set of political and social developments provided the backdrop for this reconstitution of the world market: the devastating debt crisis that hit many countries in the South during the 1980s and the subsequent rolling out of structural adjustment programmes; the collapse of the Soviet Union and the opening up of China as a platform for low-wage production (Bellamy Foster and McChesney 2012); the emergence of new technologies, logistical infrastructures, and modes of disciplining labour all aimed at speeding up the circulation of goods and information across the globe (Cowen 2014); the unprecedented explosion of financial instruments that knit together and commensurate prices across different commodities, spaces, and times (Coe et al. 2014); and, in an overarching sense, changing social behaviours, norms, and modes of governance that reflect the deep-seated generalisation of market discipline throughout all spheres of life (Langley 2008; Dardot and Laval 2013).

Enabling all of these changes has been the reorientation of economic and social policy around the core precepts of neoliberalism (Duménil and Lévy 2004; Harvey 2005; Dardot and Laval 2013). With its intellectual origins drawing eclectically on neoclassical and Austrian economic thought, neoliberalism emerged as a dominant policy framework in response to the deep crisis of profitability and overaccumulation that hit all major capitalist economies in the 1970s. Incrementally embraced by policymakers throughout the 1980s, the basic assumptions of neoliberalism have held almost universal sway since that time. This new stage of capitalism represented, above all, a '*material structure of social, economic and political reproduction* underpinned by financialization' (Fine and Saad-Filho 2016, p. 686; emphasis in original) – the latter term referring to 'the increasing role of globalised finance in ever more areas of economic and social life' (p. 687). Through policies such as privatisation, market deregulation, and cutbacks to social spending, neoliberalism aims at a fundamental reshaping of social relations in favour of capital – embedding financial imperatives throughout all aspects of human activity (Albo 2008). But precisely because it exposes so much more of daily social life to the turbulence of market dynamics and the metric of financial profitability, neoliberalism needs to be understood as an ongoing process with no fixed terminus. In the struggle to overcome impediments to capital accumulation, new barriers are inevitably thrown up. In this manner, neoliberalism is much more than a simple set of static policy prescriptions; intrinsically generative of instability and crisis, it works through these moments of disjuncture, incorporating them into itself in a permanent attempt to surpass the (always temporary) limits to accumulation.

One aspect to these limits is spatial, and here the link between neoliberalism and the recent forms of the global economy is immanent. Marx noted that the 'world market' is given in the very concept of capital; capitalism always acts to 'tear down every spatial barrier to intercourse, i.e., to exchange, and conquer the whole earth for its market . . . [as capital develops] the more does it strive simultaneously for an even greater extension of the market' (Marx 1973, p. 539). In this sense, while there is much that is new about the neoliberal era, it also sits in a continuum with earlier periods of capitalist history. Most significant to my analysis is the ongoing *internationalisation of capital* – a process that stretches back across the twentieth century, and that has seen the progressive development of complex, interlocking commodity chains arrayed across the globe and dominated by a handful of massive conglomerates; these globally oriented firms now conceptualise their field of accumulation at a scale much wider than those provided by their home markets – from the production of raw materials to the sourcing of inputs, research and development (R&D), assembly, transport, marketing, financing, and retail. A primary impetus of neoliberalism has been about bringing down the spatio-temporal barriers to this geographical expansion, creating a world market in the image presupposed by capital. Today, the production of a typical commodity involves labour and material inputs from across the globe. The place where a given commodity is eventually sold is very likely not the same place as where it is produced. The largest capitalist firms consider their production and marketing decisions from the perspective of a global marketplace, not only from within their own national borders. These processes indicate that the world market has become the horizon of capital, the space where the commodity is 'conceptualized, produced, and realized' as Christian Palloix noted presciently in the 1970s (1977, p. 20).

But the reality of capitalism as 'a social system driven by the encompassing accumulative imperatives of a world market' (Albo 2012, p. 86) does not mean that place and space have dissolved into a transnational ether. The term 'globalisation' captured something about the immense expansion of global capital flows and the closely associated changes of technological infrastructures, cultural forms, and institutional structures, but accumulation always requires a 'momentary fixity in order to appropriate labour power and use nature in the production and realisation of surplus value' (Munoz Martinez and Marois 2014, p. 1104). This tension between the mobility and fixity of capital is mediated through the historically specific political jurisdictions demarcated by states and a multiplicity of variegated spatial arrangements and bordering regimes. As one geographer noted in a riposte to the often breathless rhetoric that surrounded the concept of globalisation in its early days: 'while capital expands its geographical reach and breaks through all manner of geographical barriers, new boundaries are created while older ones are broken down or become more porous' (Swyngedouw 2004, p. 30). Numerous scholars have pointed to the normative implications of erasing such spatial differences from view, making 'processes of de-territorialisation and re-territorialisation . . . equally a-spatial or a-geographical and, as such, profoundly disempowering' (Swyngedouw 2004, p. 30). We certainly have a