



## The State-Migration Nexus in the Gulf in Light of the Arab Uprisings

Giulia Fagotto

### Abstract

The upheavals that spread across the Arab world in 2011, leading to the fall of the Tunisian, Egyptian and Libyan republican regimes, have not spared the Gulf monarchies. However, the skewed demographic situation, characterized by high shares of migrant workers, has deeply influenced the protest movements. In the light of the economic and social fallouts of this demographic imbalance), the paper aims to explain the evolving dynamics between rulers and citizens in the Gulf region. Indeed, even though the GCC countries have not experienced radical institutional change, the claims of the protestors have challenged the basis of the current social contract. After having analyzed the most important socio-economic factors shaping the citizen-state relationship, attention will be paid to labour market reforms, which will play an important role in redefining the ruling bargain between citizens and the state and between the state and migrant workers.

**Keywords:** *Gulf Cooperation Council (GCC) / Gulf countries / Migration / Citizenship / Labour market / Arab revolts*

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## The State-Migration Nexus in the Gulf in Light of the Arab Uprisings

by Giulia Fagotto\*

### Introduction

The protest movements which, after the self-immolation of Muhammad Buazizi in 2010, led to the collapse of the Tunisian, Egyptian and Libyan regimes, have had a partial impact on the Gulf monarchies. These demonstrations, which have characterized the Arab political and social panorama over the last two years, have marked a turning-point in the political dynamics of the Gulf countries. Although they escaped the brunt of the upheaval, the Gulf Cooperation Council (GCC) countries - Bahrain and Kuwait in particular - saw popular masses occupy public spaces demanding social justice and socio-economic reform. The pace and impact of such turmoil has appeared to be quite dissimilar across the region, ranging from the super-rich UAE, where barely no demonstrations took place, to Bahrain, where the police brutally suppressed the riots by killing many protesters. This paper sets aside national peculiarities in order to grasp the common denominator of the demonstrations, namely that they broke with the long-lasting apolitical tradition. The leitmotiv of this paper is therefore the crisis of the authoritarian ruling model, heavily questioned by the popular demand for a new political voice. Section 1 explores the origins of the modern Gulf social contract, which is conceived of as the result of a skewed paternalist relationship between rulers and citizens. Section 2 then focuses on the economic policies that have characterized the so-called oil era, in order to understand the reasons for the high proportion of foreign workers in the region. In particular, through analysis of the labour market, which is conceived of as a symbolic place where social dynamics can be understood, the paper explores the structural socio-economic contradiction lying at the heart of Gulf society. Finally, section 3 is dedicated to the popular uprisings, which, by posing important challenges to the authoritarian model, have marked a watershed in the political history of the GCC. The ultimate aim of the paper is to assess the ongoing political and social change in the Gulf region in the light of the massive presence of a foreign workforce.

### 1. The peculiarity of the Gulf ruling bargain

Over the past four decades, the six GCC countries, Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Oman and Bahrain, have experienced dramatic economic and political transformations. Oil has been the main driver of these changes. As the oil business started to take off, what were in origin tribal and underdeveloped societies became the beating heart of the Middle East economy. Indeed, the hydrocarbon stocks held by the Persian Gulf monarchies have always represented the world's vital supply of energy. Global dependence on these resources put the newborn Gulf governments

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in a hegemonic position at both the international and the regional levels. Naturally, the economic boom has deeply affected both the nation-building process and the very basis of the social contract on which the relationship between the rulers and the ruled is premised.

Starting with some definitions, political scientists usually refer to the six GCC countries as “rentier” states,<sup>1</sup> i.e. states which are characterized by closed and specialized economies controlled by very powerful clan leaderships. The typical dynamics of the rentier state have influenced the political and social development of the entire region.<sup>2</sup> Since the very beginning of their existence, the Gulf states have largely relied on massive oil rents, boosted by the sharp oil price increase which occurred in 1973. From these high oil revenues they financed an impressive process of economic and infrastructural modernization, and founded their generous welfare systems, which still represent one of the pillars of the Gulf ruling bargain. On the one hand, citizens were not requested to contribute to such public spending; on the other, governments assumed the exclusive right to decide on the reallocation and distribution of wealth. Since the state did not need to rely on the income of citizens or the private sector for its tax revenues, it felt less of an obligation to give citizens influence over policy or spending decisions. The social contract was essentially built on a distorted version of the principle of “no taxation, no representation”, which encouraged the establishment of authoritarian regimes. As a matter of fact, Gulf monarchs granted huge social benefits to their citizens in exchange for absolute political loyalty. Ruling elites do not exercise any infrastructural power<sup>3</sup> over their peoples. In return, Gulf citizens are not entitled to elect their representatives, nor to hold them accountable; in addition, no independent judicial system has been created. Moreover, they do not enjoy basic individual freedoms, such as freedom of religion, freedom of thought, freedom of speech, freedom of assembly and association, and freedom of expression. With the exception of Kuwait and Bahrain, the GCC countries have not ratified the 1966 UN International Covenant on civil and political rights. This twisted relationship has weakened the demand for political representation and hindered the state-building process. However, a more complex reality, which has made possible the particular agreement between the ruling families and the citizenry, emerges from deeper analysis.

Firstly, we must mention the legacy of British colonial rule: this is the starting point of contemporary Gulf political history. Despite having colonized the region for nearly four decades, Great Britain had never undertaken any considerable modernization process,

<sup>1</sup> According to the definition given by Gwenn Okruhlik, rentier states are characterized by their dependency on external revenues. See Gwenn Okruhlik, “Rentier Wealth, Unruly Law, and the Rise of Opposition: The Political Economy of Oil States”, in *Comparative Politics*, Vol. 31, No. 3 (April 1999), p. 295-315.

<sup>2</sup> For further information on the dynamics of rentier states, see Rolf Schwarz, “The political economy of state-formation in the Arab Middle East: Rentier states, economic reform, and democratization”, in *Review of International Political Economy*, Vol. 15, No. 4 (October 2008), p. 599-621. Earlier version: *State Formation Processes in Rentier States: The Middle Eastern Case*, Paper presented at the Fifth Pan-European Conference on “Constructing World Order”, The Hague, 9-11 September 2004, <http://columbiauniversity.org/itc/journalism/stille/Politics%20Fall%202007/Readings%20--%20Weeks%201-5/The%20Rentier%20State%20in%20the%20Middle%20East.pdf>.

<sup>3</sup> Infrastructural power is conceived of as “the institutional capacity of a central state, despotic or not, to penetrate its territories and logistically implement decisions”. See Michael Mann, *The Sources of Social Power. Vol. 2: The Rise of Classes and Nation States, 1760-1914*, New ed., Cambridge and New York, Cambridge University Press, 2012, p. 59.

administering the occupied territories on the basis of the existing tribal order. Since no political or bureaucratic structure had been founded, and the local chiefs had never exerted anything other than limited administrative power, the withdrawal of the British army caused a terrible power vacuum, threatening the internal stability of the entire region. Petty chiefs were compelled to face the demanding task of building a brand new institutional framework in this fragmented territory. The complete absence of a previous institutional structure constituted a breeding ground for the establishment of a highly centralized system of power. The state-building process became a prerogative of the most influential families, which established personal rule based on family networks. Secondly, it is important to highlight the key role that religion has played in sustaining and legitimating these regimes. As Muslim identity is prevalent in the Persian Gulf,<sup>4</sup> local leaders have traced their lineage back to the days of the Prophet Mohammed in order to justify their sovereignty claims. Islam became thus the primary way to overcome tribal divisions and to ensure the people's loyalty. This is particularly true in the case of Saudi Arabia, where Wahhabi Islam has provided almost the exclusive source of legitimacy for the Al-Saud royal family.

However, many scholars, among them Longva, argue that, while the GCC ruling monarchies have succeeded in imposing their sovereignty, they have missed the opportunity to foster a proper nation-building process.<sup>5</sup> According to political science doctrine, the experience of citizenship indicates how the members of a society perceive their interaction with other political actors, and the ties binding them.<sup>6</sup> From the political point of view, citizenship has to be understood as the collection of rights and obligations which give individuals a formal legal identity; these legal rights and obligations have been put together historically as sets of social institutions, such as the jury system, parliaments and welfare states. When political scientists therefore refer to "citizenship", they are not merely thinking about access to distribution of economic and political resources, but are concerned ultimately with questions of rights and identity within a civil society. In formal political philosophy, the word "citizenship" itself indicates a connection with the rise of bourgeois society and in particular the tradition of civil society.<sup>7</sup> In the case of the Gulf, the socio-cultural specificity, together with the particular circumstances under which the Gulf states were created, has contributed to establishing a paternalistic relationship between the rulers and the citizens. The state's huge providential capacity compensates both for the great disparities in society and the authoritarian regime. A combination of modern populism and the use of both tradition and repression to control the population has inhibited citizens' ability to develop a clear

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<sup>4</sup> P.R. Kumaraswamy, "Who am I? The identity crisis in the Middle East", in *Middle East Review of International Affairs Journal*, Vol. 10, No. 1 (March 2006), p. 63-73, <http://www.gloria-center.org/2006/03/kumaraswamy-2006-03-05>.

<sup>5</sup> See, for example, Anh Nga Longva, "Citizenship in the Gulf States: Conceptualization and Practice", in Nils A. Butenshon, Uri Davis and Manuel Hassassian (eds.), *Citizenship and the State in the Middle East, Approaches and Application*, Syracuse, Syracuse University Press, 2000, p. 179-197; Abdulkhaleq Abdulla, "Contemporary Socio-Political Issues of the Arab Gulf Moment", in *LSE Kuwait Programme Research Papers*, No. 11 (September 2010), <http://www2.lse.ac.uk/government/research/resgroups/kuwait/research/papers/sociopoliticalissues.aspx>.

<sup>6</sup> Anh Nga Longva, "Citizenship in the Gulf States: Conceptualization and Practice", cit., p. 180.

<sup>7</sup> Bryan S. Turner, "Cosmopolitan virtue. Loyalty and the city", in Engin F. Isin (ed.), *Democracy, Citizenship, and the Global City*, Abingdon and New York, Routledge, 2000, p. 133.

political identity, and thus to undertake any dialogue with the authorities. Therein lies the conservative nature of Gulf societies.

After having traced this brief historical evolution of the Gulf societies, it is worth focussing on their demographic structures, which have been deeply marked by a massive presence of foreign workers. As the following figures show, the high shares of migrants have altered demographic trends across the GCC region, with significant consequences for the local societies. These migration patterns are closely related to labour market conditions, since during the years of huge economic growth, the sharp increase in labour demand was met by foreign workers. From the 1960s onward, an influx of foreign workers entered the Gulf peninsula.<sup>8</sup>

**Table 1.** Demographic imbalances in GCC countries

| Country      | 2010 population (mn) |              | Workforce (%) |              |
|--------------|----------------------|--------------|---------------|--------------|
|              | National             | Non-national | National      | Non-national |
| Bahrain      | 0.51                 | 0.54         | 36.1          | 63.9         |
| Kuwait       | 1.04                 | 2.43         | 16.9          | 83.1         |
| Oman         | 2.39                 | 1.02         | 28.7          | 71.3         |
| Qatar        | 0.22                 | 1.46         | 5.7           | 94.3         |
| Saudi Arabia | 20.94                | 7.75         | 50.5          | 49.5         |
| UAE          | 0.95                 | 7.24         | 4.2           | 95.8         |
| GCC          | 26.05                | 20.45        | 38.3          | 61.7         |

Source: Ingo Forstenlechner and Emilie Jane Rutledge, "The GCC's 'Demographic Imbalance'", cit., p. 27.

As the table reveals, in 2010 the majority of GCC populations consisted of expatriates, which in some countries, such as Kuwait, Qatar and UAE, largely exceeded the number of national inhabitants. While foreign workers were pivotal to the impressive and rapid transformation of the region's infrastructure, their long-lasting presence gave rise to a unique demographic imbalance. In addition, the newborn GCC governments were unable to formulate an appropriate reception policy, causing a sharp separation between national and foreign workers, preventing their interaction and impeding the inclusion of foreign workers in society. For decades, the growing non-national component of the population has lived side-by-side with citizens, thus becoming a potentially value-laden frame of reference not only affecting labour market efficiency, but also posing new socio-cultural threats. Indeed, the massive presence of a foreign population has deeply influenced, and even exacerbated, the distorted relationship between rulers and citizens. The widespread fear of culture loss has acted as a glue-factor between rulers and citizens. In order to secure their populations from the foreign

<sup>8</sup> Ingo Forstenlechner and Emilie Jane Rutledge, "The GCC's 'Demographic Imbalance': Perceptions, Realities and Policy Options", in *Middle East Policy*, Vol. 18, No. 4 (Winter 2011), p. 25-43, <http://www.erutledge.com/media/E.J.Rutledge--2011--MEP-18-4--25-43.pdf>.

presence, governments have played the card of nationalism.<sup>9</sup> Nationalistic feelings were artificially boosted within the region at the same time as the benefits of being a national in terms of oil revenue became apparent. Therefore, citizenship became not just an identity, but also an entitlement to a comfortable life. Segregation between national and immigrants has become a crucial feature of GCC societies. This is particularly visible in the public spaces. Workplaces, public transportation and cafés are shared on an ethnic basis. Citizens do not want to mix with the foreign population.<sup>10</sup> The tensions between the groups are built into the very foundations of the state. As stated before, Gulf countries can be defined as welfare states, which rely on a tribal system of loyalty. Expatriates simply do not fit into the GCC communities. They do not belong, and will never be embraced by the state system as it is. Both cultural and practical concerns, the latter in terms of the lack of wealth to be distributed, exclude expatriates from further involvement with the state and its nationals. This is a unique situation in the modern world. Citizens' attitude towards immigrants is defined by resentment: foreigners are believed to be taking jobs that could theoretically be filled by the younger generation of unemployed nationals. Furthermore, foreigners are accused of exploiting the prosperous societies of the GCC in order to make some quick money and then leave, not caring for the culture and traditions of the host society. With the current crisis of the GCC labour market and the increasing unemployment hitting the region, foreign workers have become an even more challenging social issue for governments, especially in Bahrain, Saudi Arabia and Oman.<sup>11</sup>

For this very reason, the following section will examine the labour market, which is fundamental to grasp both the socio-economic roots of the recent upheavals and the evolution of the citizenship relationship in Gulf society.

## 2. The GCC labour market: a milestone in socio-political development

With its high fragmentation and sharp separation between national and foreign workers, the Gulf labour market is a symbolic place where the demographic contradiction lying at the heart of the ruling bargain can fruitfully be studied. Moreover, since unemployment is one of the issues which triggered the Arab uprisings, it is necessary to analyze the dynamics of job distribution to better understand the social conflict afflicting the region. As Larry Diamond states, the problem of the rentier states is not economic wealth, but the economic structure and the allocation of resources, which undermine the accountability of the state while strengthening its central authority<sup>12</sup>.

<sup>9</sup> Ali M. Al-Khouri, *The Challenge of Identity in a Changing World: The Case of GCC Countries*, paper presented at the 2010 Exeter Gulf Studies Conference on "The 21st-Century Gulf: The Challenge of Identity", Exeter, 30 June-3 July 2010,

<http://eida.gov.ae/userfiles/The%20Challenge%20of%20Identity%20in%20a%20Changing%20World.pdf>.

<sup>10</sup> Nader Fergany, *Aspects of Labor Migration and Unemployment in the Arab Region*, Cairo, Almishkat Center for Research, February 2001, p. 8, <http://www.mafhoum.com/press4/116S25.pdf>.

<sup>11</sup> Martin Ruhs, "Migrant Rights, Immigration Policy and Human Development", in *Human Development Research Papers*, No. 2009/23 (April 2009), p. 17-21, [http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP\\_2009\\_23.pdf](http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP_2009_23.pdf).

<sup>12</sup> Larry Diamond, "Why Are There No Arab Democracies?", in *Journal of Democracy*, Vol. 21, No. 1 (January 2010), p. 97-99, <http://www.journalofdemocracy.org/article/why-are-there-no-arab-democracies>.

By and large, the juxtapositions of “public-private” and “national-foreign” effectively describe the reality of the Gulf labour market. From the 1960s onward, the great abundance of oil wealth has allowed local governments to create one of the most extended welfare systems in the world which, among other benefits, unofficially includes the citizens’ right to be employed in the public administration.<sup>13</sup> These well-remunerated jobs therefore started to be taken for granted by citizens, who conceived them as an integral part of the Gulf social contract. Both citizens and rulers benefited from this twisted situation: on the one hand, citizens were granted high salaries and a vast array of privileges; on the other, governments could exercise stringent control over their citizens, being their employers of “first” and “last” resort. Informal networks, bribery, nepotism and favouritism thus became the easiest way to obtain a public sector post, which undermined the functionality of the job market. This has created a vicious circle which has put rulers in a position of absolute political and economic preponderance, preventing workers from exercising any political or social autonomy. Workers found themselves enmeshed in a highly corrupt system characterized by family and tribal ties, tightly controlled by the central government which left them no room for manoeuvre. Furthermore, trade unions and workers’ associations are banned by law in all GCC states.<sup>14</sup> Again, the underdeveloped and unattractive private sector has led national job seekers to choose to remain unemployed until they obtain a public sector job. Indeed, the region lacks a modern legal system able to enforce employment and property rights, which is a necessary prerequisite for the development of the private sector. Therefore, even with economic subsidies and fiscal facilitations, the public sector remains more profitable than the private. In spite of the fact that the Gulf governments have continuously increased the number of jobs in the public sector, they can no longer keep pace with the increase in the number of nationals actively seeking employment: the advent of the Internet, the improvement in the level of education and population growth have all led to a rising demand for jobs that the state is no longer able to meet. Although such a means of allocating jobs was profitable in the short-term, it seems to have reached saturation point: the recent demographic boom and the lack of any extractive system, together with the unproductive nature of public sector jobs, mean that the situation is no longer tenable.

The Gulf labour system, which has favoured political stability over long-term economic sustainability, has been supported by a liberalistic approach towards the private sector.<sup>15</sup> In stark contrast to the attitude adopted towards the public sector, governments leave high margins of discretion to the private sector.<sup>16</sup> This said, the private sector has been infected by the dynamics which regulate the public administration: most GCC enterprises deal exclusively with rent-seeking activities,

<sup>13</sup> Ingo Forstenlechner and Emilie Jane Rutledge “Unemployment in the Gulf: Time to Update the Social Contract”, in *Middle East Policy*, Vol. 17, No. 2 (Summer 2010), p. 38-51, <http://www.erutledge.com/media/E.J.Rutledge--2010--MEP-17-2--38-51.pdf>.

<sup>14</sup> J.E. Peterson, “The GCC states: Participation, opposition and the fraying of the social contract”, in *LSE Kuwait Programme Research Papers*, No. 26 (December 2012), <http://www2.lse.ac.uk/government/research/resgroups/kuwait/research/papers/politicalParticipation.aspx>.

<sup>15</sup> Ingo Forstenlechner and Emilie Jane Rutledge, “Unemployment in the Gulf”, cit.

<sup>16</sup> Economically speaking, the ruling power has adopted a *laissez-faire* approach to the private sector, in particular as regards manpower recruitment. However, for the reasons set out below, entrepreneurial business is mostly dominated by giant public or semi-public enterprises.

which are not related to manufacturing and cannot benefit the local economy by, for example, maintaining or expanding employment. Since entrepreneurial business is generally more demanding than the public sector in terms of effort, skills and performance at work, nationals running their own businesses expect to receive significant subsidies from the government. With the aim of supporting entrepreneurial business, the GCC legal framework authorizes nationals to employ expatriate manpower without any form of taxation or control. Hundreds of thousands of migrants were, and still are, hired to fulfil market needs without any guarantee or protection. This system, called *Kafala* (sponsorship),<sup>17</sup> leaves to the private sponsor (employer) all rights and responsibilities as regards the management of the foreign workers he decides to hire. Such “sponsorship” constitutes the main legal difference between national and foreign employees, and usually puts foreigners in a position of relative dependence on their sponsor. Since local employers generally confiscate the passport of their expatriate workers, those workers cannot enjoy any internal mobility, and are completely subject to the decisions of the employer. Sponsorship makes it hard for foreigners to effectively negotiate wages and working conditions, which in turn makes them attractive as relatively cheap and more compliant employees. Furthermore, the Gulf labour market also entails inhuman and exploitative living conditions suffered by those who may rightly be defined as modern slaves. These shocking living conditions are constantly denounced by NGOs and international organisations such as the International Labour Organization (ILO).<sup>18</sup>

Nationals, by contrast, can leave their employment any time, and hence have a much stronger bargaining position, which makes many employers reluctant to hire them. Therefore, local entrepreneurs prefer to rely on the mass of cheap and flexible workers to run their businesses. By these means, not only have Gulf governments shielded their entrepreneurs from the real cost of employment, but they have also distorted the free market, in which the ability to compete and make profits is the only thing that really matters. Gulf enterprises’ low productivity rates are compensated by high government subsidies and the low pay of the migrant workers. In the end, these workers are the backbone of the entire Gulf society, sustaining both its private/business sector and the advanced regional welfare system, which itself is the bedrock of the regional social bargain.

However, this over-dependence on foreign manpower is now having a major political and economic impact. As a matter of fact, since the 1970s, foreign workers of Arab origin have challenged the ruling family power structure by spreading the ideas of pan-Arabism, socialism and communism. Consequently, Gulf monarchs have batted down the hatches by restricting the access of foreign workers to citizenship rights and by shifting the immigrant population from Arab to Asian origin, Asian immigrants being

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<sup>17</sup> Heather E. Murray, “Hope for Reform Springs Eternal: How the Sponsorship System, Domestic Laws and Traditional Customs Fail to Protect Migrant Domestic Workers in GCC Countries”, in *Cornell International Law Journal*, Vol. 45, No. 2 (Spring 2012), p. 461-485, <http://www.lawschool.cornell.edu/research/ILJ/upload/Murray-final.pdf>.

<sup>18</sup> Susan F. Martin, “Protecting Migrants’ Rights in the Gulf Cooperation Council”, in Mehran Kamrava and Zahra Babar (eds.), *Migrant Labor in the Persian Gulf*, New York, Columbia University Press, 2012, p. 217-231.

less likely to make claims on the monarchy or to subscribe to Arab nationalism.<sup>19</sup> In addition, Asian countries such as the Philippines, India, Pakistan and Bangladesh have taken few steps in order to protect their citizens, leaving a virtually free hand to migration governance by the Gulf authorities. Despite the lack of official figures, it is fair to say that nowadays Asians represent the highest share of the migrant workforce in the Arab Gulf peninsula.

Moreover, in political and social terms, foreign workers have played a fundamental role in the nation-building process, as well as in the skewed relationship that Gulf citizens have established with their rulers. According to the existing literature,<sup>20</sup> awareness of national identity in the region owes much of its success to the overwhelming presence of migrant workers. As a result of the fact that they are denied any rights or recognition, expatriates represent the term of comparison on which Gulf citizens have built their sense of belonging to the nation. In this sense, citizenship is perceived as an array of extensive social rights such as free education, free healthcare, free housing and employment in the public administration. Conversely, the heavy restraints concerning political and civil rights mentioned above have impeded the formation of any political awareness among the population, hindering the expression of social and political claims.

With regard to the economic implications of the warped demographic situation in the GCC countries, migration has major social costs for the receiving countries, both in terms of productivity and in terms of human and technological development. The availability of cheap unskilled manpower, together with the reduced tax burden, has been determinant in minimizing external competition, thereby creating a safe environment for local enterprises. This has dramatically decreased productivity levels, and undermined incentives for businesses to invest in technology and management structures with a view to enhancing their local competitive capacity. In addition, the frequent misallocation of foreign manpower due to the absence of a standardized employment system creates in itself economic distortions.<sup>21</sup> This strictly-controlled but nevertheless badly-organized economic environment is a breeding ground for corruption and nepotism.

Furthermore, it should be pointed out that temporary migrants represent a cost *per se*. Economically speaking, a reduced number of expatriate workers would stanch the drain of remittances from GCC economies, and reduce the infrastructure and public service costs created by foreigners. Locally-spent wage incomes would have a significant multiplier effect in the local economy. In addition to the issue of the high share of temporary migrants, governments need to invest more in social security. Indeed, the sheer scale of urban growth, founded as it is in the Gulf on massive quantities of non-citizen workers, creates a tremendous potential for socio-cultural conflict, undermining the internal security of GCC countries.

<sup>19</sup> Attyia Ahmad, "Beyond Labor: Foreign Residents in the Persian Gulf States", in Mehran Kamrava and Zahra Babar (eds.), *Migrant Labor in the Persian Gulf*, New York, Columbia University Press, 2012, p. 21-40.

<sup>20</sup> Ingo Forstenlechner and Emilie Jane Rutledge, "Unemployment in the Gulf", cit.; Ali M. Al-Khouri, *The Challenge of Identity in a Changing World*, cit.

<sup>21</sup> Jasim Al-Ali, "Emiratisation: Drawing UAE nationals into their surging economy", in *International Journal of Sociology and Social Policy*, Vol. 38, No. 9-10 (2008), p. 365-379.

Finally, the striking consideration which emerges in analysing the GCC labour market is the low rate of national participation in that market on the both the supply and the demand sides. This means that significant human and economic potential is unexploited, or absorbed by the giant and unproductive public sector. This trend is reflected in the high unemployment rates, as well in the scarce share of nationals in the business sector, the recent economic boom notwithstanding. Whereas regional governments used to have massive economic surpluses at their disposal to compensate the inefficient allocation of human and economic resources, the decline of natural resources together with the rapid population growth make the future gloomy. This is despite the fact that the global economic downturn is affecting the region and there is an urgent need to diversify economic revenues. However, even without a drastic event, challenges loom in the near future. Skilled young professionals are looking for (public) employment and a different system of oil wealth distribution, challenging the current economic governance. Therefore the ruling powers are asked to reconsider the labour market mechanisms in order to match these requests with a long-term strategy. Since the balance of power supporting the social bargain of the Gulf societies is deeply connected to the economic and labour reality, the reform of the labour market will inevitably subvert the very basis of the social contract. It is important to recall here that the legitimacy of the ruling class lies in the huge welfare system which in turn is almost entirely sustained by cheap foreign manpower. Thus labour market instability and high rates of unemployment may undermine the ability of governments to ensure the current high standards of living for their populations. This situation is likely to lead citizens to question their allegiance to their rulers. Many scholars have emphasized the fact that the region's future will depend on the shape of its labour market<sup>22</sup>. This is mostly based on the realization that the sustainability of economic progress will depend, among other factors, on reforming labour market governance. The next section will thus be dedicated to examining the social consequences of the dramatic transformation of the labour market that will most likely take place in the near future.

### 3. The GCC uprisings: challenging the basis of the social contract

Since the "level of [civil society] activism that is present in the Arab world [...] does not correlate with democratization",<sup>23</sup> the recent demonstrations taking place in the Gulf countries should not be considered to be a clear signal of an ongoing democratic transition. Nevertheless, it is fair to state that Gulf societies are experiencing a new social and political phase in their history, with people taking to the streets to obtain more substantial political participation and the reform of the socio-economic system.

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<sup>22</sup> See, for example, Wes Harry "Employment creation and localization: the crucial human resource issues for the GCC", in *The International Journal of Human Resource Management*, Vol. 18, No. 1 (January 2007), p. 132-146; Anoushiravan Ehteshami and Steven Wright, "Political change in the Arab oil monarchies: from liberalization to enfranchisement", in *International Affairs*, Vol. 83, No. 5 (September 2007), p. 913-932, [http://www.chathamhouse.org/sites/default/files/public/International%20Affairs/2007/83\\_5913-932.pdf](http://www.chathamhouse.org/sites/default/files/public/International%20Affairs/2007/83_5913-932.pdf); Ingo Forstenlechner and Emilie Jane Rutledge, "Unemployment in the Gulf", cit.

<sup>23</sup> Francesco Cavatorta and Vincent Durac, *Civil Society and Democratization in the Arab World. The Dynamics of Activism*, London and New York, Routledge, 2011, p. 141.

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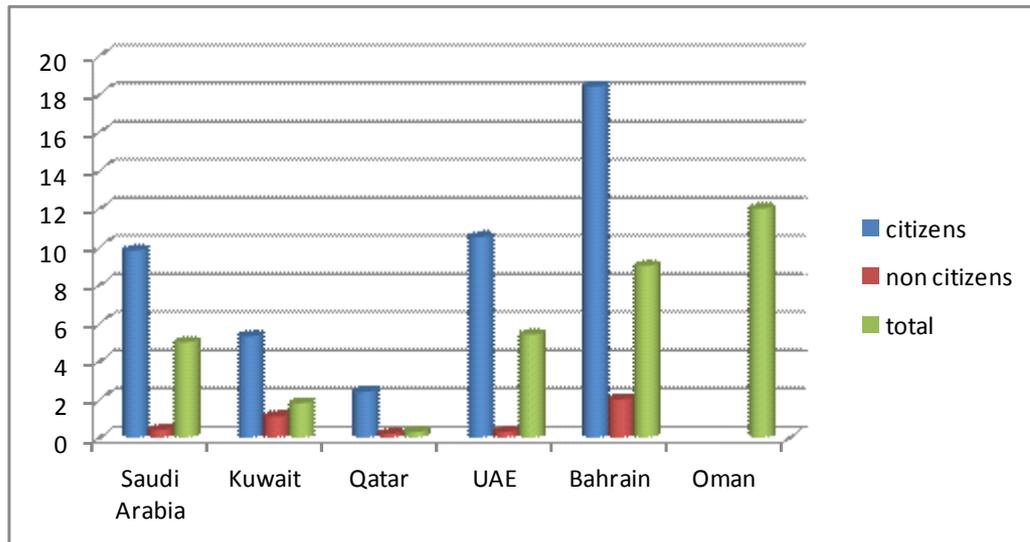
The existing discrepancy between economic modernization on the one hand, and the total lack of political development on the other, has reached a level that is no longer sustainable vis-à-vis the new economic and social challenges the GCC countries have to face in the global and regional contexts.

Many scholars have analysed the Arab Gulf uprisings by comparing them to the events that toppled authoritarian regimes in the Maghreb countries, such as Libya and Egypt. Even though the Gulf states are part of the broader Arab world, they are characterized by their own peculiarities. In fact, besides the clear differences concerning political tradition, the economic situation and social background, the Gulf protest movements have diverged from the North African revolutions principally as regards the different nature of their claims. In Oman, Saudi Arabia and Bahrain, people have asked for the whole range of political and civil rights, without directly questioning the legitimacy of the ruling families. To put it in another way, there were no broad popular demands for regime change<sup>24</sup>, and nobody raised the slogan that “the people want to bring down the regime”, which was widely heard in Tunisia and Egypt. Moreover, economic logic has not argued in favour of revolution in the region: usually revolutions are triggered by grievances associated with primary daily needs, such as a food shortage, an issue that is almost non-existent in the Gulf region.

According to the rentier state paradigm, where oil dominates there is indeed little room for civil society to develop and flourish. Authoritarian regimes can rely on the huge amounts of money pouring into the state treasury as rent in order to control and co-opt their citizens. Furthermore, it can be fairly affirmed that Gulf governments, with the support of many Western powers, have bartered social and political development for political stability and security. Although these regimes cannot be properly defined as despotic or repressive, they have prevented the emergence of a political debate by banning political parties, controlling the media, suppressing the opposition and boycotting civic participation. Furthermore, even more seriously, they have used the same strategy in the economic realm by hindering the evolution of the non-oil sectors, such as science and technology, which are determinant for building a competitive private sector. The GCC countries have thus lagged behind other similarly wealthy states in terms of human capital: levels of education in the GCC region are higher than in other countries in the Arab world, but the GCC countries cannot meet market demands. As was pointed out above, youth unemployment has become a major concern in the region, as it would be necessary to create millions of new jobs by the end of this decade in order to absorb the youth bulge. Therefore, leaving aside sectarian and religious issues - which actually played a major role, especially in Bahrain - the immediate causes of the Gulf uprisings are to be found in the economic and social structure, unemployment being the spark which ignited the Gulf spring.

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<sup>24</sup> J.E. Peterson, “The GCC states: Participation, opposition and the fraying of the social contract”, cit.

**Figure 1.** Unemployment rates 2008, GCC countries

Sources: SAMA, *45th Annual Report*; UAE Ministry of Economics, Central Department of Statistics & Information, *Labour Force Survey, 2009*; Qatar Statistics Authority, *Labour Force Sample Results, 2008*; Institute of Banking Studies of Kuwait, *Economic and Financial Database for Bankers, 2009*; Ministry of Labour and Bahrain Centre for Studies and Research, *Labour Force Survey, November 2004*. NB: Data of Bahrain refer to 2004.

Even though official data on unemployment in the GCC region are scarce, the chart above points to significant differences between the country cases. Bahrain and Oman, where the uprising happened to be more intense, register high rates of unemployment. Considering that the GCC economy as a whole has tripled in size since 2002,<sup>25</sup> and that all GCC countries enjoyed a spectacular economic boom up until late 2008, these unemployment trends are shocking. The stagnation of employment, together with the uprisings in the Maghreb, were instrumental in driving Gulf citizens, especially the youth, to the streets to protest against corrupt and incompetent governments. Predictably, migrant workers - which represent almost half of the Gulf population - did not join the demonstrations. The separation between citizens, who live in their own exclusive enclaves and seldom interact with foreigners, domestic household labourers excepted, and foreign workers has been repeated during the uprisings.

Nationals are not the only ones with social grievances; the complaints of some expatriates are similar, and indeed even more dramatic. Hypothetically, these two social groups could find common ground for joint action in waging social battles. However, the sectarian character of Gulf societies *de facto* excludes any kind of solidarity. On the one hand, foreign workers are prevented from joining the demonstrations by their precarious legal status. On the other hand, the citizens' hostility towards expatriates leads them to refrain from supporting the claims of the latter, even though both are victims of the schizophrenic labour market system. Despite the fact that there has been little cooperation between nationals and migrant workers in

<sup>25</sup> Data from GulfBase.com: <http://www.gulfbase.com>.

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sharing social struggles, the issue of the regulation of the presence of non-citizen workers represents an important flashpoint in the socio-economic reforms that Gulf governments are asked to undertake.

The renewed hostility between locals and migrant workers, together with the fast pace of globalization, have raised legitimate concerns regarding the concept of citizenship, issues of authenticity and national identity, and ultimately the social sustainability of the economic growth strategy pursued by the GCC countries. Protest movements, sustained by the newborn Gulf middle class, have raised claims for civil and political rights, such as freedom of expression and the right to form political parties, which have for too long been denied by the ruling powers. People are seeking deep change which will bring structural reform of both the legal and the economic systems. Given the global economic downturn, it is unlikely that the cosmetic reforms implemented by the authoritarian Gulf governments in the past will work this time. Economic and social challenges are require a long term strategy in order to be tackled.

According to this logic, the labour market will play a pivotal role not only in creating new jobs, but also in bringing about economic and financial sustainability. Under pressure from domestic and transnational civil society groups, from the high numbers of the unemployed and from the claims of international organizations fighting for migrant workers' rights, such as the ILO, the Gulf governments will indeed be forced to revise their strategies regarding labour market regulation. They need to tackle the issue with a broad, all-encompassing plan. Firstly, by acting directly on the labour market they should support labour nationalization and non oil-rent businesses. Of course, neither expelling foreigners and taking their jobs, nor giving more money to the private sector, are viable solutions.<sup>26</sup> Governments, citizens and entrepreneurs must cooperate in order to solve the crucial issue of human resources. Many GCC governments have already tried to make the public sector less attractive by adopting unpopular measures such as pay freezes and pensions cuts. At the same time, they have also provided incentives to private entrepreneurial initiatives, and supported economic diversification projects by funding such initiatives or creating quasi-private enterprises in order to share market risks. Nevertheless, new labour market policies should be framed in a broader perspective, with the ultimate goal of professionalizing and developing the workforce: This should be achieved by financing a more competitive education system able to provide the necessary skills to fill the region's lack of technical expertise in the industrial productive sector.

Finally, in order to control their labour markets, Gulf governments should reform the *Kafala* system, which leaves too much discretion to private sponsors. Leaving aside humanitarian concerns as regards migrant workers' rights, the sponsorship system is also reproachable as regards its detrimental side-effects on the labour market. As has been argued in the previous section, the availability of cheap manpower may benefit the entrepreneurial elite, but it creates unfair competition for jobs between nationals, who are compelled to rely on unofficial systems of connection (*wasta*), and foreign workers, who only have access to certain types of job. By creating a legal framework regulating, and possibly reducing, the foreign presence in the Gulf labour market, rulers will not only lower the unemployment rate, but also remove one of the foundation

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<sup>26</sup> Wes Harry "Employment creation and localization: the crucial human resource issues for the GCC", cit.

stones of societal organization in the Gulf. Without the widespread availability of cheap manpower, and with the unavoidable decline in oil rents, governments will no longer be able to maintain the generous welfare systems that legitimize their authoritarian power. Citizens will gain bargaining power vis-à-vis their rulers, which will lead to a redefinition of their relationship to one another. Obviously, there are still many hurdles to be surmounted. Ruling elites are still very powerful, and Islamic tradition plays a preeminent role in countries currently ruled by *sharia* law. Moreover, the whole system of corruption and nepotism has deeply penetrated society, and is not likely to disappear suddenly.

However, the recent demonstrations have proved that there is ongoing political and social change across the region; for the first time in history, dignity, freedom and social justice have been the centrepieces of the protests. Citizens have challenged the regimes and tried to dismantle the so-called “Gulf exception”<sup>27</sup> by refusing to give way to the governments’ attempts to co-opt them through food subsidies and direct grants. Even though the Gulf governments have not ceded to the claims of the populations, economic and social challenges will compel them to rethink the entire basis of their rule.

## Conclusion

Change has to be understood as the keyword of this analysis. Since the very beginning of their existence, the Gulf states have witnessed continuous economic and political change. However, this change has always been characterized by a top-down approach, and has been tightly controlled by the authoritarian ruling elites; even the economic liberalization process has not engendered a substantive shift in power relations. A process of democratization has therefore never been established be it in the political or in the economic realm. Despite having attracted little attention from the local and international press, the recent upheavals were characterized by a popular and youthful participation. People overcame the largely discredited parliamentary assemblies, which were not perceived as genuine forum for debate, and took to the streets to demand socio-political reforms. These claims were the result of long-standing social tensions and a growing political consciousness within Gulf societies, where any form of political aggregation is still unlawful.

Given the context, the ongoing demonstrations have marked a real watershed in Gulf history: even though the uprisings may have failed to gain momentum or achieve their goals, they should be viewed in the context of structural economic and social circumstances that are operating over the long term. As this analysis demonstrates, many factors are challenging the Gulf regimes’ status quo. Demographic imbalances, high rates of unemployment and pressure from international organizations are creating serious economic, social and security problems for the GCC governments. Despite the high degree of resilience of the local monarchies, internal and international forces are paving the way to social and political change. Rather than repeating ad hoc emergency interventions, Gulf leaders have the possibility to promote deep reform of their societies

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<sup>27</sup> Khalifah Rashid al-Shaali, “The Gulf Exception”, in *Al-Monitor*, 25 January 2012, <http://www.al-monitor.com/pulse/politics/2012/01/the-arab-stage-and-gulf-scene.html>

by addressing the most urgent issue: the stagnation in employment. Gulf governments are called upon to formulate a new policies aiming to respond to both economic challenges and the demographic threats.

It is common opinion that in all times and in all places international migration and the nation state have had a difficult relationship. This is very much the case of the GCC countries. Recently, the historical division between migrants and nationals has assumed even more thorny connotations. Citizens are demonstrating increasing resentment toward expatriates, which is likely to sharpen the social conflict already fuelled by the high unemployment rates. Similarly, governments feel threatened by new globalization challenges linked to immigration flows such as illegal immigration, international crime and global terrorism. However, this massive presence of foreign manpower, perceived as a threat to national identity, also has the merit of opening the floor to a discussion of the concepts of identity, nationality and citizenship, which have been for too long left out of the public debate. Although globalization processes have changed the dynamics of political interaction, dismantling the pivotal role of the nation state on both the international and the local levels, a genuine citizenship relationship still remains the fundamental driver for any democratization process. Moreover, once ruling elites are forced to start a more authentic dialogue with their peoples, the massive foreign presence is likely to act as a booster to political openness. Indeed, their poor living conditions and the oppression and abuses they have suffered have prompted foreign workers to create a solidarity network, which is mainly composed of NGOs and associations based outside the GCC region. The campaigns of such associations, together with a more mature awareness of foreign workers' rights, could greatly contribute to the political debate in the GCC countries.

The outcomes of this social process are still unclear. Religious extremism, scarce civil society empowerment and high income levels are still obstacles to political change. Overall, the popular demonstrations have made a fundamental assertion, namely that the individual is not the mere subject of sovereign power, not life in its bare form, but that the individual instead has an active role to play in society. These forms of mass action should be situated in the context of the development of a social and political consciousness towards the state, which is a prerequisite for modern citizenship.

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