Serhat Yalçın

CAPITAL, LABOUR & THE STATE IN THE GULF

Social forces and the making of policies towards the international mobility of capital and labour in the Gulf States

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Bibliographic information published by Deutsche Nationalbibliothek
The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available in the Internet at http://dnb.dnb.de.

ISBN 978-3-7376-1026-1
DOI: https://doi.org/doi:10.17170/kobra-202202245803

https://kup.uni-kassel.de

Printing Shop: Print Management Logistik Service, Kassel
Printed in Germany

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Author's note

The original version of this publication is the PhD dissertation entitled "Social forces and the making of policies towards the international mobility of capital and labour in the Gulf states" which was submitted to the Faculty of Social Sciences at the University of Kassel in 2017. The present edition in book format has not been updated to take into account recent changes and developments since the submission of the dissertation.

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List of abbreviations

ADIA	Abu Dhabi Investment Authority
ADSM	Abu Dhabi Securities Market
ADSSC	Abu Dhabi Sewerage Services Company
ADWEA	Abu Dhabi Water and Electricity Authority
ARAMCO	Arabian American Oil Company
BIT	Bilateral Investment Treaty
CCL	Commercial Companies Law
COM	Council of Ministers
DCCI	Dubai Chamber of Commerce and Industry
DEWA	Dubai Electricity and Water Authority
DIFC	Dubai International Financial Centre
DMCC	Dubai Multi Commodities Centre
EDB	Economic Development Board
EPZ	Export-processing Zones
FDI	Foreign Direct Investment
FDICI	Foreign Direct Investment Confidence Index
FEZ	Free Economic Zone
FNC	Federal National Council
FTA	Free Trade Agreement
GATS	General Agreement on Trade and Services
GCC	Gulf Cooperation Council
GCIM	Global Commission on International Migration
GFMD	Global Forum on Migration and Development
GHC	General Holding Company
HFZA	Hamriyah Free Zone Authority
IIA	International Investment Agreements
IHC	International Humanitarian City
IMF	International Monetary Fund
IOM	International Organization for Migration
ITUC	International Trade Union Confederation
JAFZ	Jebel Ali Free Zone
KIA	Kuwait Investment Authority
LDCs	Least Developed Countries
LMRA	Labour Market Regulatory Authority

MAI	Multilateral Agreement on Investment
MENA	Middle East and North Africa
MNC	Multinational corporation
NIEO	New International Economic Order
NIRA	National Investment Reform Agenda
NOC	No-objection certificate
OPEC	Organization of Petroleum Exporting Countries
OWRC	Overseas Workers Resource Centre
QIA	Qatar Investment Authority
RAK	Ra‘s al-Khaimah
RAKFTZ	Ra’s Al Khaimah Free Trade Zone
RAKIA	Ra’s Al Khaimah Investment Authority
SAGIA	Saudi Arabian General Investment Authority
SAIF	Sharjah International Airport Free Zone
SCR	Supreme Council of Rulers
SOCAL	Standard Oil of California
SWCC	Saudi Arabia's Saline Water Conversion Corporation
SWF	Sovereign Wealth Fund
SWFI	Sovereign Wealth Fund Institute
TFWP	Temporary Foreign Worker Programme
TNC	Transnational Corporation
TRIMS	Trade-related Investment Measures
TRIPS	Trade-related Aspects of Intellectual Property Rights
UAE	United Arab Emirates
UAQ	Umm al-Qawain
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WPS	Wage Protection System
WTO	World Trade Organization

1 Introduction

1. Introduction

The world economic crisis of the early 1970s, the collapse of the Soviet Union and the Eastern Bloc, and the integration of China into the global capitalist economy through liberalisation processes in the late 1980s and early 1990s are commonly regarded as decisive historical turning points by the field of International Relations (IR) and International Political Economy (IPE). The combined effects of these historical instances could also be considered as the basis upon which one of the most long-standing and most contested debates across different academic fields has emerged: the globalisation debate. A popular statement within this debate has been that especially from the late 1980s onward the international mobility of capital, people and information has turned into one of the most pre-eminent characteristics of the contemporary world (see e.g. Cresswell, 2006; Shamir, 2005). »Mobility«, so the prominent argument goes, »is one of the distinguishing characters of modern globalization, demonstrated in dramatically increased empirical flows of capital, information, and people« (Salter 2010: 514).

A critical moment regarding questions surrounding international mobility emerged with the onset of the global economic crisis of 2007-08. On the one hand, many observers have started to question the increased international mobility of capital. In line with the assertion of Reinhart and Rogoff (2009: 141-173) that increasing liberalisation and international capital mobility were factors leading to financial crises, a range of public and academic discussions about and political attempts at restricting international capital mobility in order to stabilise national and regional economies emerged (see, for example, Ostry et al. 2010; Palley 2009; Levy Yeyati et al. 2008; The Economist 18.02.2010, 07.04.2011). On the other hand, the effects of this more recent economic downturn on the international mobility of people in the form of migration has also moved into the centre of interest, as it was generally observed that migration flows »have dipped sharply« and that destination countries have »imposed added restrictions on migration« (Tilly 2011: 685, 687; see also Hatton and Williamson 2009; Martin 2009).

To date, issues of international mobility of capital, people and information continue to be a central part of debates within a large array of academic disciplines. One often and widely made observation is that there is a fundamental asymmetry between the international mobility of capital and labour in favour of capital (e.g. Gill and Law 1988; Jenkins 2001; Warkstett 1990). In this context, many scholars contend that the international mobility of capital and/or its promotion by states stands in sharp contrast to the restrictions on the international mobility of labour (Gill and Law 1988, 1993; Harvey 2006; Overbeek 2002a; Salter 2010; Stephenson and Hufbauer 2011). It has been argued that, contrary to the free mobility of capital with almost unregulated international capital markets since the early 1970s, policies related to the international mobility of labour have become more restrictive and that the national labour markets are strictly nationally regulated. The assertion that »borders […] are notable for their (selective) permeability to human mobility« (Chris Rumford, cited in Salter 2010: 515), has led Stephenson and Hufbauer (2011: 275-276) to speak of a »challenging and often hostile environment for labor mobility« with a »[stark] contrast between the desire to promote capital mobility and investment flows and the reluctance to envisage corresponding labor mobility«. It is also asserted that the promotion of the free movement of goods promoted by the World Trade Organization (WTO) or the free movement of capital promoted by the International Monetary Fund (IMF) are in contrast to the »hostility of most governments and international organizations toward the free movement of labor« (Overbeek 2002a: 75).

The above mentioned historical changes in the global political economy and the related debate on international mobility constitute the context of the research question of this study, which is if and why state policies towards the international mobility of capital and labour differ, or, more generally, if and how we can theoretically account for state policies towards the international mobility of capital and labour by using a single analytical framework that incorporates state policies towards both forms of mobility. The study will resort to the Neo-Gramscian perspective in order to analyse state policies towards foreign direct investments (FDI) as a form of international capital mobility, and state policies towards international labour migration as international labour mobility. The Gulf States – officially called states of the Cooperation Council for the Arab States of the Gulf, but commonly referred to as the states of the Gulf Cooperation Council (GCC), and composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) – will serve as an empirical case for this study, whereby special attention will be given to the UAE.

Such a framing of the research question needs some preliminary clarification. First, as will be illustrated in more detail in the next chapter, studies on the international mobility of capital and labour are largely split. This makes it necessary to find a framework of analysis incorporating state policies towards both forms of mobility. Second, studies on international mobility of capital and labour have been mainly focusing on Western regions of the world, especially Europe and the US. Although the BRIC states and some East Asian states have started to gain more academic interest from the 1990s onward, the region of the Middle East, and especially the Gulf States, did not gain much academic interest within the field of IR/IPE. This fact is astonishing because the Gulf region has not only a central position within the global economy, but is also a major site for the international mobility of capital and labour, as will be demonstrated later in this study.

These two preliminary remarks already point to the theoretical relevance of the research question, i.e. the theoretical and analytical contribution of the study and its con-tribution to the scientific discourse. This can be illustrated in three points. First, the study is an attempt to analyse state policies towards the international mobility of capital *and* labour because a comprehensive analysis incorporating both forms of mobility and the role of state policies has been largely absent in theoretical debates. As such, the study could be considered as a theoretical and empirical contribution to the contested debate on international mobility and reveal new insights that are important for further research. Especially, establishing an analytical framework enabling the approach of state policies towards both forms of mobility could be considered as a scientific contribution, which could be used and/or tested in the case of state policies in different geographical and historical settings.

The second contribution of the study is that it will, on the one hand, critically evaluate the threefold chain of neglect within the field of IR/IPE, namely that the broader region of the Middle East, the policy dimensions of FDI, and international labour migration have been to a great extent absent within the field. By doing so, the study not only contributes to highlighting important yet dismissed aspects within the field of IR/IPE, but also asks how far studies from other fields, including migration studies and regional/area studies, could be considered as useful contributions to the field of IR/IPE. On the other hand, two theoretical chapters of this study will critically elaborate the capacities of leading theoretical perspectives within the field regarding the research question. The detailed analysis of their theoretical propositions and empirical approaches could also be considered as a contribution to the scientific discourse within the field.

Third and finally, by taking the Gulf States as an empirical case the study aims to bring in a region which, despite its importance for the global political economy, has been largely absent in the field. A closer look at the historical development of these states, their state-society relations, how they are situated within the global political economy and how they deal with the international mobility of capital and labour would not only deliver empirical insights, but would also provide a contribution to the theoretical efforts to overcome the prevailing Eurocentric perspective within the broader academic field. Such a scientific involvement with the Gulf States could also be considered a contribution to the scientific discourse for another reason. The Gulf States have been mostly treated in the context of their natural resources (oil and natural gas), security issues or in the context of debates on transitions from authoritarianism/monarchy to democracy. As Young (2014: 132-133) notes, most studies point to the uniqueness of political structures in these countries. They have been, consequently, often described as »exceptional« cases, with kings, sheikhs or emirs dominating the society, the state and the decision-making process. Yet, a detailed analysis of their state policies towards the international mobility of capital and labour, especially in the context of state-society relations and social forces, could deliver empirical insights important to critically assess these prevailing approaches to the Gulf region.

2. Definitions and methodology

2.1. State policies towards the international mobility of capital

The international mobility of capital can be analytically differentiated between three (in reality interrelated) forms.[1] First, capital can be internationally mobile in its form as money capital, i.e. through portfolio investments which »involves the purchase of bonds, money market instruments, or stocks simply to realize a financial return« (Cohn 2010: 250), and which »is normally represented by a movement of money for the purpose of buying shares in a company formed or functioning in another country« (Sornarajah 2004: 7). Second, capital can be internationally mobile in its form as commodity capital, i.e. through trade by which commodities are moved around the world. Third, capital can be internationally mobile in its form as productive capital, i.e. through FDI creating or joining production sites. Analytically, for this study the international mobility of capital will be taken as the international mobility of capital in its form as FDI, which according to some scholars has become one of the most important economic flows in the global economy (Milner 2014).

1 See on the following elaboration also Harvey (2006: 373-412) who based upon the Marxian formula for the circulation process of capital argues that capital can be internationally mobile as money, productive and commodity capital.

UNCTAD (2009: 243) defines FDI »as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate).« This definition is basically adopted by many other scholars. Moosa (2002: 1), for instance, notes that FDI »is the process whereby residents of one country (the source country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country«, and Sornarajah (2004: 7) adds that »There can be no doubt that the transfer of physical property such as plantations and manufacturing plants constitute foreign direct investment.«[2]

One important feature of FDI, mostly carried out by transnational corporations (TNCs) (Milner 2014: 2; Moosa 2002: 6),[3] is that it, »Unlike portfolio flows, principally bonds and non-FDI equities, that tend to be shorter term and can often be moved by a stroke on a keyboard […] generally involves a *longer-term investment*« (Jensen et al. 2012: 6, emphasis added; see also Ahlquist 2006: 686). Another distinguishing characteristic of FDI is attributed to its aim to acquire control through investment, »since a portfolio investor does not seek control or lasting interest« (Moosa 2002: 1; see also Sornarajah 2004: 7). It should be noted however that what is meant by control and how it is indicated is a contested topic. Most commonly, a minimum of 10% shareholding is regarded as allowing the foreign firm to exert a significant influence over the key policies of the underlying project (Cohn 2010: 252; Moosa 2002: 2; Walter and Sen 2009: 173). In reality, however, many »firms are unwilling to carry out foreign investment unless they have one hundred per cent equity ownership and control. Others refuse to make such investments unless they have at least majority control (that is, a 51 per cent stake)« (Moosa 2002: 2).

For the purposes of this study state policies towards the international mobility of capital in its form as FDI will be defined as those policies which concern the entry, operation and exit of FDI, and the related rights granted to or withheld from foreign investors. *State policies* will be captured as the laws, regulations, executive decrees and other legal regulations (in short: laws) related to the entry, operation and exit of FDI. The broad background here is that the state through its policies is central at regulating FDI and that consequently FDI »cannot and does not take place in a legal or institutional void« (Hollifield 2012: 20). The consideration of laws is also important because they are the result of a policy process, and because they do not only provide or constitute the legal basis for FDI but also reflect economic and social processes. Insofar, the »law [is] not a set of static rules but […] an evolving process« involving and affecting different social

2 It is widely stated that FDI can take place in three different forms (Moosa 2002: 14-16). Greenfield investments occur when the investing firm establishes new production, distribution or other facilities in the host country. This is normally welcomed by the host country because of the assumed job-creating potential and value-added output (Cohn 2010: 252). FDI can also take place through mergers and acquisitions (M&A) that have »two advantages over greenfield investment: (i) it is cheaper, particularly if the acquired project is a loss-making operation that can be bought cheaply; and (ii) it allows the investor to gain a quick access to the market« (Moosa 2002: 15). Finally, FDI can also take place in form of joint ventures »either with a host country firm or a government institution, as well as with another company that is foreign to the host country« (Moosa 2002: 16).

3 TNCs are often referred to with different names (e.g. multinational corporations or multinational enterprises) and there is no single definition of TNCs (Moosa 2002: 6-11).

forces with the result that all law could indeed be considered as »a resolution of conflicting interests« (Sornarajah 2004: 29-30, 34). This has three important implications.

First, by looking at laws regarding FDI one should take into account different social forces affected by or involved in the process of setting up laws. Most prominently, foreign investors are considered as important actors. Sornarajah (2004: 67), for instance, notes that TNCs »wield significant power to shape law on foreign investment to their advantage. Quite apart from wielding influence on their home states to ensure foreign investment protection, they are also able independently to influence the making of legal norms.« Similarly, it has been often noted that foreign investors have the capacity to influence economic policies and regulations, including policies of liberalisation and privatisation and that they even »often see themselves as agents of the reform process, providing information on regulation in other countries and helping shape the economic future of their host state« (Jensen et al. 2012: 116; see also Desbordes and Vauday 2007). Additionally, locally/nationally operating domestic businesses wanting to avoid competition, as well as domestic (organised) labour which could oppose changes in laws that would be more favourable to foreign investors, should be considered as important social forces (Walter and Sen 2009: 190-191).[4] Second, and related to the argument that laws should not be considered as static but rather as an evolving process reflecting social and economic processes in which social forces with diverging interests are involved, one should also take into account that laws can and do change and that they thus have to be considered within the context of their change. This makes it necessary to approach laws within their historical evolvement and change. Third, there may be important differences between existing laws on the one hand and their actual implementation on the other. This means that the focus on formal laws and regulations should be considered within or extended to its context of involved and/or affected social forces and the related political debate, and contrasted with their actual implementation.

After having discussed the approach of state policies in this study it should be made clear what is meant by state policies towards the (interrelated aspects of) *entry*, *operation* and *exit* of FDI. *Entry* refers in this study to the conditions under which the admission and establishment of FDI into the host country takes place, i.e. under what conditions FDI is allowed to flow into the country. This has to be considered as important because »Virtually all countries maintain some restrictions on inflows of foreign direct investment and virtually all have some sort of application or approval procedure for FDI: no country presently offers an unconditional right of entry to foreign investors« (Kobrin 2004: 9; see also UNCTAD 2003: 85-103). This fact is also a central part of international law as »In international law, a State has the absolute right to control the admission and establishment of investors in its territory, the setting of conditions under which this occurs and the nature of ownership and control rights« (UNCTAD 2003: 102). Sornarajah (2004: 100) notes within this context that:

> »On the basis of the rule that conditions could be imposed upon alien entry, the whole process of foreign investment could be controlled by the host state's laws. The law of the host state could

4 Sornarajah (2004: 71-75) notes that international institutions such as the World Bank, WTO, OECD and UNCTAD as well as international private business organisations (e.g. the private chambers of commerce) and NGOs should also be considered as important actors within the field of foreign investments.

> specify the legal vehicle through which the foreign investment should be made, the nature of the capital resources that should be brought from outside the state, the planning and environmental controls that the manufacturing plant should be subject to, the circumstances of the termination of the foreign investment and other like matters.«

This first step of entry is thereby often considered as bothersome by foreign investors as »legal entry is extremely cumbersome, time-consuming, and expensive in most countries in the world« (Djankov et al. 2002: 5). This is maybe also the reason why the World Bank states that »When someone has finally made the decision to invest, he then is subjected to some of the worst treatment imaginable [...]. In a few cases this treatment consists of outright extortion: presenting the investor with insurmountable delays or repeated obstacles unless he makes a large payoff« (World Bank, cited in Djankov et al. 2002: 3).

The condition of entry that is most commonly regulated through a licensing system is closely linked to the *operation* of foreign investments in the host country. Sornajarah (2004: 86), for instance, notes that »Regulations are usually implemented through licensing systems and the sanction is the withdrawal of the license. Without the license, the rights of operation of the foreign investor in a sphere of activity become inoperative.« Operation thereby refers to the conditions under which foreign investments can become operative. This is important as »many countries have liberalized entry restrictions but retain operation restrictions« (Walter and Sen 2009: 216). Thus, foreign investments could be excluded from certain sectors such as public utilities, extractive industries, insurance and banking. Additionally, states could also impose restrictions on the share of foreign ownership so that the question how foreign ownership is regulated and whether and which kind of limits are set up regarding foreign ownership become essential for the operation of FDI (Oatley 2012: 182-188).

The question of foreign ownership should thereby also seen in the context of the domestic economic development because one of the reasons why foreign investments are excluded from certain sectors and industries »is that the entry of a foreign business giant may stifle the emergence of an entrepreneurial class within the state« (Sornajarah 2004: 118; see also UNCTAD 2003: 104). Thus, the conditions of operation »can range from total or sectoral exclusion of FDI to a variety of restrictions – for example, on the equity share allowed foreign investors, the requirements of joint ownership or management with local personnel« (UNCTAD 2003: 102). There are also other conditions of importance for the operation of FDI which include whether foreign investors have a right of access to local capital markets and whether there are performance requirements especially related to raising domestic content (to support local firms), to promoting exports (to promote export industries) and to the transfer of managerial techniques and employing nationals (Oatley 2012: 183; Sornarajah 2004: 103, 122-123; UNCTAD 2003: 119-120; Walter and Sen 2009: 189-190).

Beyond the entry and operation of FDI it is also central to incorporate the exit dimension of FDI in approaching state policies towards FDI. *Exit* of FDI refers in this study not to the exit of FDI from its source country but its exit from the country where the investment has been conducted. The focus at exit is thereby not only important because there is a »significant interaction between entry and exit« so that »exit barriers could be viewed as entry barriers« (Clarck and Wrigley 1997: 341, 340). It is also important because it is relevant for the repatriation of profits. Importantly, Sornarajah (2004: 54) notes that »Though initial capital inflows may take place through foreign investment, there is evidence that outflows by way of repatriation of profits are greater. Some studies indicate that capital outflows associated with foreign investment may be twice as much as the initial inflows« (see also Oatley 2012: 174). The fact »that the most important reason for undertaking investment is profit-making, and [that] FDI is no exception« (Moosa 2002: 16), and that foreign investors are primarily aimed »to repatriate those profits to the home state« (Sornarajah 2004: 238) illustrates the importance of state policies towards the exit of FDI through the repatriation of profits.

An aspect not directly related to the dimension of exit but of equal importance is the termination of FDI through nationalisation or expropriation which was common during the late 1960s and 1970s (UNCTAD 2003: 110; Cohn 2010: 265-266; Oatley 2012: 183). Nationalisation or expropriation of foreign investments constitutes »the oldest issue in FDI regulation« and is »what the foreign investor fears to be the greatest threat to his investment« (Sornarajah 2004: 111). That is why regulations related to nationalisation and expropriation must also be taken into account regarding state policies towards FDI.

A last important aspect related to state policies towards FDI is whether and which kind of rights are provided for or withheld from foreign investors. This is important because »While regulating the entry of foreign investment, a state could also seek to attract foreign investment into its territory by holding out incentives attractive to such investors« (Sornarajah 2004: 100). These rights or incentives which have become increasingly more favourable towards FDI since the 1990s (Oatley 2012: 190-191) could include a range of areas. Export-processing zones (EPZ) or free economic zones (FEZ), for instance, constitute »industrial areas in which the government provides land, utilities, a transportation infrastructure, and, in some cases, buildings to investment firms, usually at sub-sidized rates« (Oatley 2012: 184). These zones, mainly established to attract FDI, are often characterised by more favourable regulations than exists outside of the zones and could be seen as »policy enclaves« (UNCTAD 2003: 124) with regulatory concessions, for example in the fields of taxation, employment and repatriation of profits. Some rights could also exist outside of these zones. For instance, tax incentives including »tax holidays« and reduced corporate income tax. Other rights and incentives could encompass financial incentives such as outright grants and loans at concessional interest rates, subsidised infrastructure or services, low cost fuel and energy and exemptions from labour and environmental laws (Moosa 2002: 51-55; Oatley 2012: 190; UNCTAD 2003: 123). These rights could be extended by incorporating rights related to compensation offered in cases of nationalisation or expropriation. It is, however, important to notice that incentives provided by states in order to encourage FDI inflows are usually considered to be accompanied by disincentives in the form of, for example, slow processes of authorisation, prohibition of FDI in certain sectors and industries, imposed cooperation with domestic businesses and the employment of a minimum number or share of local workers (Moosa 2002: 55-56).

2.2. State policies towards the international mobility of labour

In this study the international mobility of labour will be taken as the movement of people across national borders for the purpose of employment and is as such international labour migration.[5] Before turning to the policy dimensions of migration, however, it should be noted that migration can take different forms. These forms could be summarised as the movements of refugees and asylum seekers, undocumented migration, and labour migration.[6] Thus, the term of migrant is commonly used to refer to a range of different groups of persons moving across national borders. Despite this differentiation there is in reality no clear separation between these groups – a transition from one category to another is possible when, for instance, a refugee is allowed to enter the labour market; a legal labour migrant turns into an undocumented migrant after the expiration of his work permit; or when through a legal amnesty undocumented migrants are allowed to participate legally at the labour market of the receiving country. This is also noted by Bjerre et al. (2015: 560) who emphasise that it is important to notice »that individuals can move between the categories [...] and that further differentiations between the groups exist«, e.g. between low-skilled and highly skilled migrants within the group of labour migrants. What this differentiation between different migrant groups implies, however, is that there are different groups falling under the realm of migration policy (Bjerre et al. 2015: 559). Meyers (1995), for instance, differentiates between three different sets of policies of the migration policy of receiving states: policies affecting refugees, policies affecting permanent (migrant) residents and policies affecting labour migrants.

As one of the main purposes of this study is to explain state policies towards the international mobility of labour, its primary analytical focus will be on state policies towards international labour migration. This means that state policies towards other groups of migrants are excluded from this study or considered insofar as they are related to state policies towards international labour migration.

There is a still on-going intensive debate on the question of what constitutes migration policy and which factors and which actors should be incorporated in explaining migration policies. Some scholars define immigration policies as »the laws, regulations, and measures national states design and implement with the (implicitly or explicitly) stated objective of altering the volume, origin, and internal composition of immigration flows« (Czaika and de Haas 2013: 503). Others note that it is important to differentiate between different dimensions of migration policy. According to Meyers (2000: 1246), for instance:

> »Immigration policy consists of two parts: 1) immigration control policy or immigration regulation, namely, the rules and procedures governing the selection and admission of foreign citizens; and 2) immigrant policy, namely, the conditions provided to resident immigrants (e.g., work and housing conditions, welfare provisions and educational opportunities)«.

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5 See also the definition of labour migration by the International Organization for Migration at https://www.iom.int/key-migration-terms#Labour-migration (accessed 05.10.2015). Notice, however, Stephen Castles's emphasis that there is an emerging migration-mobility debate aimed at capturing differences between »mobility« and »migration«. He critically notes that within this debate »Movements of the highly skilled were celebrated as professional *mobility*, while those of the lower-skilled were condemned as *unwanted* migration. Mobility equalled good, because it was the badge of a modern open society; migration equalled bad because it re-awakened archaic memories of invasion and displacement. But it seems to me that a focus on migration, rather than mobility, better reflects real power relations« (Castles 2010: 1567, emphasis in original).

6 One could also add to this list ethnic migration, for instance, referring to the return of Germans form Poland and the former Czechoslovakia to Germany, and to the post-colonial migration in the 1940s and 1950s, e.g. the migration of Indians to the UK or of Algerians to France (Birsl 2005: 96-98; Marshall 2000: 5-10; Muus 2001: 33-35; Rosenblum and Cornelius 2012: 254-255).

According to Massey (1999: 307), migration policies represent »the outcome of a political process through which competing interests interact within bureaucratic, legislative, judicial, and public arenas to construct and implement policies that encourage, discourage, or otherwise regulate the flow of immigrants«. The assumption here is that there are different social forces with different interests. Two groups are often mentioned in particular in the literature: First, (native) workers who want to retain high wages and as a consequence want to limit the supply of labour in form of labour migration. Second, capitalists (and landowners) aimed at expanding the labour supply in order to reduce wages and to enable labour market flexibility, and as a consequence favour an expansive legislation and a relaxation of restrictions regarding labour migration (see on this also Rosenblum and Cornelius 2012: 253). In addition to these different interests, the policies towards migration, it is argued, is dependent upon other factors such as the economic situation (economic boom/economic crisis), unemployment (low/high), skill levels of native and migrant workers, and the volume of migration flows (with higher rates leading to restrictions) (Massey 1999: 307-310). Most commonly, state policies towards international labour migration are considered as being determined by the interaction of public officials and the different social forces (employers and workers) which usually take place outside of the public sphere (e.g. see Freeman 1995; see on this also Massey 1999: 312).

For the purposes of this study state policies towards the international mobility of labour in its form as international labour migration will be taken as those state policies which concern the entry, work, stay and exit of migrant workers and the related rights granted to or withheld from migrant workers. State policies will be captured as the laws, regulations, executive decrees and other legal regulations (in short: laws) related to the entry, work, stay and exit of migrant workers. The broad background here is that »the national dimension remains vital to understand migration. Nation-states remain the main location for policies on cross-border movements and non-migration policies such as citizenship, public order, labour markets, taxation, social welfare, health services and education, which have large, albeit predominantly indirect, effects on migration« (Castles, de Haas and Miller 2014: 35). Therefore, »migration, like any type of transnational economic activity (such as trade and foreign investment), cannot and does not take place in a legal or institutional void. [...] [S]tates have been and still are deeply involved in organizing and regulating migration« (Hollifield 2012: 20). It is also within this context that Betts (2011a: 1) remarks that:

> »despite the inherently trans-boundary nature of international migration and the interdependence of states' migration policies, there is no formal or coherent multilateral institutional framework regu-lating states' responses to international migration. There is no UN Migration Organization or no international migration regime, and sovereign states retain a significant degree of autonomy in determining their migration policies.«

But the approach of state policies through laws should be taken as only one dimension. Money (1999) is right at noting that only looking at formal laws and regulations does not cover other important aspects such as the interpretation and implementation of laws and regulations by official authorities. For instance, Castles (2013: 131) notes that »The stated objective of government policy is often strict immigration control, but governments also want to support national industries and help them to obtain the labour they seek. Thus, publicly announced objectives and actual policy do not always match up.«[7]

A more comprehensive conceptualisation of migration policies should include different dimensions. Czaika and de Haas (2013: 494-495), for example, note that there are four levels at which migration policies could be conceptualised: first, public policy discourses, including politicians stated objectives; second, actual migration policies in form of laws, regulations and measures; third, policy implementation and the related discretion, resources, interests and constraints; and fourth, policy outcomes regarding the effects of the implementation on direction, volume, composition and timing of migration. They assert that:

> »This fourfold distinction allows for the identification of three ›immigration policy gaps‹: the *discursive gap*, or the discrepancy between public discourses and policies on paper; the *implementation gap*, or the disparity between policies on paper and their implementation; and the *efficacy gap*, or the extent to which implemented policies are able to affect migration. Because each of these three gaps can be considerable, taken together they can amount to a wide gulf between policy discourses and policy practices« (Czaika and de Haas 2013: 494, emphasis in original).

Consequently, the interpretation and implementation of the legal measures by official authorities will constitute another aspect that needs to be considered.

In addition to this, it has been already noted above that there are also different social forces with different interests involved in or affected by the field of migration policy (e.g. workers and employers).[8] As these interests and the context in which they are articulated (the political system) are important for an understanding of migration policies this study will follow the note by Castles (2004: 871) that an analysis of migration policy should also include »examining interests and the way they are articulated, as well as the way the political system functions.« Taking into account these interests would also allow for insights regarding questions related to state policies, i.e. to find answers to questions such as whether state policies merely reflect economic interests, if and how »the state tries to balance these« interests (Castles 2004: 868), or alternatively whether the state itself should be taken as a unit of analysis in explaining migration policies and not treated as a mere reflection of powerful economic interests.[9]

Regarding the dimensions of entry, stay, work and exit of labour migrants it has been stated early on that especially »the determinants of exit and entry rules« or »access variables, the rules for exit and entry« should be incorporated if studying international

7 Castles (2004: 867) notes that »The strength of nationalist and ethnocentric ideologies in immigration countries has made it easy to mobilize public opinion against immigration. The mass media have done much to create hostility to immigrants and asylum seekers. In response, politicians sometimes give lip service to anti-immigration rhetoric while actually pursuing policies that lead to more immigration, because it is important for labor market and economic objectives. This helps explain the frequent hidden agendas in migration policies – that is, policies which purport to follow certain objectives while actually doing the opposite. The tacit acceptance of undocumented labor migration in many countries despite strong control rhetoric is an example.«

8 Some scholars also include »sending governments, cross-border economic interests and international refugee institutions [which] may become familiar figures [...] in the making of migration policy« (Mitchell 1989: 699).

9 However, Castles (2004: 868) notes that »it is important to understand that investigating the political economy of interests and studying the political sociology of the state are not mutually exclusive […]. Both clearly influence policy outputs and outcomes.«

migration (Weiner 1985: 445-446). This has to be regarded as important because there is a »serious governance deficit« (Castles 2013: 132) regarding international labour migration so that »The rules for entry and exit of economic migrants are controlled by nation-states, not by international organizations like the UN, IOM, or ILO« (Hollifield 2012: 13).[10]

Entry refers in this study to the conditions under which the admission of migrant workers into the receiving country takes place, i.e. under what conditions migrant workers are allowed to enter the country. This goes beyond considering visa policies[11] to encompass whether the entry is, for instance, dependent upon a special test, a specific employment contract/employment sponsorship and the skills of the migrant workers (e.g. point system).[12] These conditions, in turn, determine and regulate the terms under which conditions migrant workers are allowed to *work and stay* in the receiving country, and thus lay down whether the presence of a migrant worker is permanent or temporary (Rosenblum and Cornelius 2012: 256).[13]

One important point to be mentioned is that within this study exit refers to the *exit of migrant workers out of the receiving country* and not to the exit of migrant workers out of their home countries. This means that emigration policies of sending countries will not be systematically dealt with within this study and included only insofar as they are of relevance for state policies towards international labour migration as defined above.[14] The conditions under which migrant workers have to exit the receiving country are thereby equally determined by the conditions of their entry, work and stay. One important aspect to be mentioned, however, is the situation when the determined exit of migrant workers does not take place and how this is related to state policies, i.e. whether their continued (undocumented) presence is then condoned without taking any action against the

10 Hollifield (2012: 13) notes that the European Union (EU) is a »major exception« but that »the EU regime for international labor migration functions only for nationals of the member states, not (or at least not yet) for third-country nationals«.

11 Rosenblum and Cornelius (2012: 256) note that »Regardless of the criteria for immigrant admission, permission to enter takes the form of a visa (or visa exemption), a legal document or agreement, often attached to a passport or other form of identification, that authorizes admission.« They additionally emphasise that visa terms also regulate social and economic rights (e.g. access to the public welfare system).

12 A point system could also go beyond the skill levels of migrant workers to include education levels, language knowledge and the age of migrant workers (Rosenblum and Cornelius 2012: 254).

13 Regarding the differentiation between permanent and temporary migrants it is important to keep in mind the notice by Castles and Kosack (1973: 12) that, »firstly, no rigid distinction between permanent and temporary immigrants is possible. Few migrants actually intend to remain away from their country of origin for ever when they first depart, and there is no way of knowing in advance whether an individual will settle permanently or not. Even men who originally come in as seasonal workers sometimes remain for good. Secondly where most individual immigrants come for a limited period only, immigrants as a group are permanently present. This group, despite its changing membership, may have the same long-term effects on society as a group of permanent settlers.«

14 Note, however, that emigration policies of sending countries gained relatively less attention by scholars dealing with migration issues (Hollifield and Wong 2015: 236; Massey 1999: 303). But these policies are important as »With respect to immigrant admissions, countries of origin may shape emigration decisions by facilitating – or discouraging exits, and so may decisively affect the number of immigrant workers available at any given time« (Rosenblum and Cornelius 2012: 264, emphasis in original). For the elaboration of a range of dimensions how states can influence emigration through their exit policies see Weiner (1985: 444-445). For the specific role of reducing pressures emanating from unemployment and from the need to increase foreign exchange reserves through remittances see Massey et al. (1998: 310-312) and the empirical case studies of Sayari (1986) and Hernández (2002) on emigration policies of Turkey and the Dominican Republic, respectively.

situation, whether their status is legalised through amnesties or sanctioned through detention and deportation (see on this Rosenblum and Cornelius 2012: 259). There is also another important dimension regarding the exit of migrant workers that Samers (1999: 175) aims to capture through the concept of »spatial vent«, which refers to:

> »a mechanism by which ›bourgeois democratic‹ states resolve provisionally a joint crisis (or crises) of accumulation-legitimation through the forced or encouraged repatriation of legal migrant labor. The repatriation of low-skilled migrant labour (whether it involves forced deportation or encouraged return) has been a feature of capitalism since the proliferation of nation-states in the nineteenth century and the development of international labour migration«.

Therefore, the exit of migrant workers could also be closely linked to accumulation crisis and the related aims to resolve this crisis by encouraging migrant workers to leave the country or else to deport them back to their home countries.

2.3. Data sources for the empirical analysis

For the empirical analysis of state policies towards both the international mobility of capital and labour it is also important to indicate what kind of sources are used within this study. It has been already noted that state policies towards the international mobility of capital in its form as FDI will be defined as those policies which concern the entry, operation and exit of FDI and the related rights granted to or withheld from foreign investors, and that state policies will be captured as the laws related to the entry, operation and exit of FDI. The laws related to FDI will be obtained from official websites of national authorities of the Gulf States. Additionally, relevant press releases and official publications from official authorities will be used as well. These official documents will not be analysed through adopting a text-immanent approach but will be subject to a theory-driven and context-dependent analysis regarding the research question. As it is important to rely on multiple and independent sources for the analysis and the interpretation of these documents, and as it is important to encompass the significance of involved and/or affected social forces, the study will also incorporate – in addition to secondary literature – national/regional press articles, international press articles, and reports by international organisations as complementing sources.[15]

As data on FDI flows and stocks will constitute an important part of this study, some critical notes on these data need to be mentioned. The first problem with data on FDI is that statistics available from source and host countries could reveal gaps, as foreign investors »are reluctant to provide information about themselves and adept at obscuring their activities« (Cohn 2010: 251), and that consequently »Most countries do not publish comprehensive information on the foreign operations of their companies, for reasons of secrecy« (Moosa 2002: 3). A second problem is that FDI inflows and outflows on the one hand and FDI inward and outward stocks on the other hand do not always match, but that »since planet Earth does not yet have financial relationships with other planets from our solar system or from distant galaxies, inward flows (stocks) should be equal to

15 As far as data on the Gulf countries is available the Investment Country Profiles and the Investment Policy Monitor of the UNCTAD will also be used. See http://unctad.org/en/Pages/DIAE/FDI%20Statistics/InvestmentCountryProfiles.aspx and http://unctad.org/en/pages/publications/Investment-Policy-Monitor.aspx (accessed 04.11.2015).

outward flows (stocks)« (Moosa 2002: 22). A third problem to which Walter and Sen (2009: 174) point is that an acquisition in a host country financed by domestic (host) country borrowing is not counted as FDI. It is from this backdrop that data on FDI should be treated with caution, although they may be from reliable sources. However, this study follows the statement of Moosa (2002: 22) that these data could be – despite the above-mentioned problems – used to illustrate general trends related to FDI.

Regarding state policies towards the international mobility of labour in the form of international labour migration, it has also been noted that they are defined as state policies which concern the entry, work, stay and exit of migrant workers and the related rights granted to or withheld from them, and that state policies will be captured as the laws related to the entry, work, stay and exit of migrant workers. The laws related to international labour migration will be obtained from official websites of national authorities of the Gulf States in cases where they are provided. A set of selected and translated official data and documents on migration and labour markets in the Gulf countries are also provided by the program Gulf Labour Markets and Migration, a joint programme of the Gulf Research Center and the Migration Policy Centre. The NATLEX database of the ILO also provides legal documents on the legislation related to the regulation of labour, social security and human rights. Additionally, relevant press releases and publications from official authorities will be used as well. Again, these official documents will not be analysed through adopting a text-immanent approach but will be subject to a theory-driven and context-dependent analysis regarding the research question. As it is important to rely on multiple and independent sources for the analysis and the interpretation of these documents, the study will also incorporate here – in addition to secondary literature – national/ regional and international press articles. For the analysis of the dimension of rights granted to migrant workers additional sources will include ILO reports as well as the survey of violations of trade union rights of the International Trade Union Confederation (ITUC), which includes information on the rights of workers and migrant workers.

Many empirical parts of this study will analyse the Gulf region as a whole. For instance, the analysis of the Gulf region in the global political economy, especially regarding commodity and money flows; the analysis of oil dependency, diversification policies and economic development; and the analysis of the history and trends of FDI and international labour migration to the Gulf region will consider the region as a whole. But the more specific analysis of state policies towards FDI and international labour migration will primarily focus on the UAE. The more general reason for focusing on one country is that the analysis of state policies as defined above requires an in-depth analysis, which makes it difficult to incorporate other cases as this would go beyond the scope of this study. The more specific reason for focusing on the UAE is that it has been one of the major sites for FDI in the Gulf region and an equally important and major site attracting huge flows of international labour migration. The UAE has also gained most of the attention of public and scientific debates. Perhaps because of its increased »global prominence« (Kristian Oates Ulrichsen), the UAE also provides access to many of its legal documents, the bulk of which are also translated into English. Moreover, there are many UAE-based newspapers that publish in English extensively on social, economic and political developments in the country. All of this indicates the availability of more sources that can be accessed for an in-depth analysis. Importantly, however, the concluding chapter of this study will engage in a discussion comparing the developments in the UAE with other Gulf countries. The chapter will briefly discuss similarities and differences between the Gulf countries and highlight where there is a need for further research.

Finally, it should also be noted that the initial aim of this study was to conduct semi-structured interviews with state officials from ministries in charge of both fields of policy. Although contacts to scholars working on the Gulf region indicated the difficulty of getting access to state officials, requests for interviews were sent to the responsible departments at the Ministry of Economy (Department for Foreign Investment) and at the Ministry of Labour (Standard & Policies Department – Policies Section) in the UAE. Unfortunately, these requests remained unanswered. Although the request for an interview with policy analysts at the Dubai Investment Development Agency (Dubai FDI) – a state agency of the Department of Economic Development in Dubai – was forwarded to the principal policy analyst, the request remained unanswered. The request for interviews with the academic staff at the Mohammed Bin Rashid School of Government in Dubai, one of the main academic institutions conducting research on public policy in the UAE, also had no success.

Equally, the request for an interview with the responsible staff of the Dubai Chamber of Commerce and Industry (DCCI) where many national and international commercial and industrial businesses in Dubai are registered and which considers its mission to »Represent, support and protect the interests of the business community in Dubai«[16] remained without results. The DCCI only provided some of its publications on FDI which were, however, accessible online anyway.

The only group willing to take part in the interviews were Indian migrant workers who have worked in the Gulf countries. The fieldwork for the interviews took place during the research affiliation at the Tata Institute of Social Sciences in Mumbai and was enabled through the support of the Centre for Development Studies in Thiruvananthapuram. Overall, 18 interviews with male Indian migrant workers were conducted in July 2016. The interviews thereby specifically focused on the dimensions of entry, stay, work and exit of migrant workers. Yet, the interviews were not used for this study. The main reason for this is that the intention to conduct interviews with identified relevant actors (state officials, businesses and migrant workers) could not be achieved. This basically means that the interviews could not be conducted in a symmetrical way, as neither state officials nor businesses were ready to be interviewed. Instead, the results of the interviews with Indian migrant workers were published as a separate study (Yalçın, forthcoming).

2.4. Notes on methodology and the argument in brief

In one of his essays entitled *Traveling Theory* Edward Said (1983: 226-247) deals with the question of making use of theories for different historical periods and geographical spaces, and remarks that:

> »Like people and schools of criticism, ideas and theories travel – from person to person, from situation to situation, from one period to another. Cultural and intellectual life are usually nourished and often sustained by this circulation of ideas, and whether it takes the form of acknowledged or unconscious influence, creative borrowing, or wholesale appropriation, the movement of ideas and

16 http://www.dubaichamber.com/who-we-are/about-dubai-chamber (accessed 09.11.2016).

theories from one place to another is both a fact of life and a usefully enabling condition of intellectual activity« (Said 1983: 226).

It is from this backdrop that Said (2001: 451) notes that »The point of theory [...] is to travel, always to move beyond its confinements, to emigrate, to remain in a sense in exile«. Morton (2013: 50), who resorts to Said's thoughts, notes that he refers in this context to »the extent to which theory is a response to specific social and historical situations or whether, as it develops out of a situation, theory can travel to gain wider acceptance without becoming rigidified or codified«. This does not, however, mean that theories can be applied in an uncritical way. Said (1983: 226) notes that:

> »one should go on to specify the kinds of movement that are possible, in order to ask whether by virtue of having moved from one place and time to another an idea or a theory gains or loses in strength, and whether a theory in one historical period and national culture becomes altogether different for another period or situation«.

As the uncritical adaptation of a theory and the related concepts can turn into a method-logical trap it is of great importance to have »a sort of spatial sense [...] meaning that theory has to be grasped in the place and time out of which it emerges as a part of that time and then subsequently related to the places where it might be put to use« (Morton 2013: 60).

Theoretically, this study will adopt the Neo-Gramscian perspective to address the research question. Based on the above mentioned considerations on *Traveling Theory*, the aim of this study could thus also be described as applying a theoretical perspective to a geographical space which has been largely neglected – although it constitutes a »major node of world capitalism« (Hanieh 2011: 2) and is a major site for flows of capital and labour – in order to obtain answers to the research question and, by doing so, also to specify the strength and weakness of this theoretical perspective, i.e. to find out whether it thereby »gains or loses in strength« (Said 1983: 226).

The theoretical choice for the Neo-Gramscian perspective will be justified by engaging in a theoretical debate on two dominant/mainstream approaches within IR/IPE, namely realism/neo-realism and neoliberal institutionalism. The limits and criticism of these two theoretical perspectives will be put in the context of their ontological and epistemological assumptions out of which the Neo-Gramscian perspective will be introduced as an alternative theoretical perspective to allow us to consider different units and levels of analysis and the role of social forces at different levels. The assumptions of the Neo-Gramscian perspective regarding the research question will thus constitute the basis on which the empirical part of this study will be set up.

The basic hypotheses of this study are as follows:

1. The neoliberal transformation in state policies has also taken place in the Gulf region. As result of the emergence of a neoliberal world order the Gulf States increasingly introduced policies in favour of privatisation and liberalisation. This transformation has been accompanied by emerging state policies favouring the internationally mobile capital aimed, amongst others, to attract FDI by providing foreign investors incentives regarding their entry, operation and exit.

2. In the context of this neoliberal transformation, state policies of the Gulf States towards the international mobility of labour as international labour migration have increasingly

become characterised by the subordination of this mobility to the needs of the capitalist economy within a temporary framework. The regulation of international labour migration on different dimensions of entry, stay, work and exit of migrant workers in the Gulf States heavily reflects the needs of the capitalist economy as whole and the interest of capital in specific.

3. However, state policies towards both FDI and international labour migration constitute a field of struggle affecting and/or involving different social forces with opposing interests. Both fields of policies are therefore expected to reveal contradictory tendencies that reflect the struggle in or over these policy fields.

Three aspects are important in this context. First, the crisis of the early 1970s resulted in structural changes indicating the emergence of a neoliberal world order characterised by the »the penetration of a dominant mode of development into all countries« (Bedirhanoğlu 2008: 92). This process was accompanied and enabled by a neoliberal shift in state policies that increasingly opted for privatisation and economic liberalisation and favouring the internationally mobile capital on the one hand, and opting for the regulation of the international mobility of labour within a temporary framework and subordinating it to the needs of the capitalist economy. The Gulf region as a central node of the global capitalist economy has been equally affected by the trend of »moving in a more market-oriented direction« (Gill 1993a: 40) which has resulted in state policies favouring FDI and, in the mean time, subordinating the international mobility of labour to the economic needs of nationally oriented capital, as well as internationally mobile capital. However, the central role of oil for the global capitalist economy and the Gulf States' aim to reduce their dependence on oil are important factors that have to be taken into account at explaining this shift.

Second, it is important to consider the »dialectical complex of ›national‹ and ›international‹ elements represented by the expansion of a particular mode of production on a world scale« (Morton 2007a: 78-79) and thus to take notice of the »relation of internal forces in the country in question«, as well as »the relation of international forces, of the country's geo-political position« (Gramsci 1971: 116). In the concrete case of the Gulf States this means that their policies towards the international mobility of capital and labour are to be expected to face and produce contradictions and to reveal national peculiarities. Thus, Gulf States' policies favouring FDI may contradict the protection of certain economic sectors and reach their limits at »the policy of manufacturing the manufacturer« (Gramsci 1971: 67). Likewise, Gulf States' policies towards the international mobility of labour within a temporary framework that strongly reflect the needs of nationally and internationally oriented capital may contradict demands put forward by migrant workers and nationals at the national stage.

Third, and deriving from the second point, whereas the monarchical political structures in the Gulf countries may, at a first sight, point to the strong dominance of rulers and to the absence of a strong civil society indicating the dominance of the coercion-side of hegemony over the consent-side, a rather rigid characterisation of Gulf States as »Hobbesian state-society complexes« (van der Pijl 1998) or as a »type of state form [...] [which] is not socially embedded in a strong civil society, and by implication has fragile legitimacy« (Gill

1993a: 39) may nonetheless miss out important state-society relations. Thus, Gulf States' policies towards the international mobility of capital and labour may indicate the importance of different nationally and internationally oriented social forces in establishing and implementing these policies.

3. Outline of the study

The study is structured as follows. The following second chapter will provide a broad evaluation of the literature related to the research question. On the one hand, it will be elaborated that the broader field of IR/IPE has been reluctant to include the broader region of the Middle East into its research agenda, or has approached the region from a specific lens focusing primarily on geopolitical, resource, religious or security aspects. This state of the art in the literature will be critically questioned by resorting to the growing literature asserting that the field of IR/IPE is strongly characterised by a Eurocentric perspective. It will be also asked to what extent existing regional/area studies as well as other theories (outside of the IR/IPE field) would be useful for the approach of the research question. On the other hand, the chapter will also work out that, whereas the field of IR/IPE has revealed a strong interest for capital and its international mobility, labour and the international mobility of labour have remained largely absent from its research agenda. The critical elaboration of this large absence will be complemented by an effort to find out to what extent existing theoretical approaches/theories in the field of migration studies could be helpful at approaching the international mobility of labour and the related state policies.

The third chapter constitutes the first theoretical part of the study. It represents a first theoretical attempt to approach the research question by resorting to two dominant/mainstream approaches, namely realism/neorealism and neoliberal institutionalism. It will be critically asked if and how both perspectives approach state policies towards both forms of mobility, and if and how they have so far approached the broader region of the Middle East in general and the Gulf region specifically. The critical elaboration of these theoretical perspectives and their limits will be put in the context of their ontological and epistemological shortcomings and will constitute the basis upon which an alternative theoretical approach – the Neo-Gramscian perspective – is represented in the fourth chapter. A brief outline of the historical and theoretical origins of this perspective will be followed by a more detailed evaluation of its theoretical framework and its explanation of the global political economy. The more specific assumptions of this perspective regarding state policies towards both forms of mobility will be elaborated and discussed. As with both of the other perspectives, the Neo-Gramscian perspective will also be critically assessed regarding the question if and how it has thus far approached the broader region of the Middle East.

The fifth chapter will be the first empirical part of the study trying to situate the Gulf region within the global political economy. It will try to emphasise the importance of the region for the global political economy by analysing its importance especially in the context of different flows of capital. This will include the analysis of: commodity flows demonstrating the region's historical and contemporary importance within global trade; the analysis of energy flows and oil, demonstrating the region's importance as a major site for oil exploration and production; and finally the analysis of money flows, which include, first, the flow of ›petrodollars‹, their role during the debt crisis of the early 1980s and their role regarding the American hegemony, and second, the increased importance of sovereign wealth funds (SWFs) originating from the region. The chapter will also point to some important historical political, social and economic implications for the Gulf region resulting from being linked to the global capitalist economy.

The sixth chapter will analyse Gulf States' policies towards the international mobility of capital. The move of the Gulf States towards a market-oriented development underpinned by neoliberal policies will be followed by illustrating the trends of FDI to the Gulf region and by a detailed analysis of the UAE's state policies and the related legal regulations towards FDI. The chapter will analyse the contradictory combination of increased efforts to attract more FDI by introducing and implementing policies in favour of FDI on the one hand and the remaining restrictions constituting important impediments for FDI on the other hand.

The seventh chapter, then, will analyse Gulf States' policies towards the international mobility of labour. It will elaborate the history and trends of international labour migration to Gulf region and analyse, again in the case of the UAE, the contradictory combination of policies subordinating the international mobility of labour to the economic needs within a temporary framework on the one hand and the increased efforts to ›nationalise‹ the labour force on the other hand. The explanation of state policies towards FDI and international labour migration will be developed in the context of the evolution of the related political debate, the legislation, the role of involved and/or affected social forces, and the contradictions this entails. The concluding chapter will briefly summarise the study, present the results and discuss the empirical and theoretical considerations that arise out of it, and point to some possible topics for further research.

2 Disclosing the Lacuna

The aim of this chapter is to disclose the lacuna in the literature through highlighting a threefold chain of neglect within the broader field of IR/IPE with regards to the research question of this study. If and how state policies towards the international mobility of capital and labour on the one hand, the broader region of the Middle East in general and the Gulf region in specific on the other hand, have been approached thus far builds the main core of this chapter. First, based on the more recent debate on the strong hold of a Eurocentric perspective within IR/IPE, this chapter will critically elaborate the largely neglected region and ask to what extent regional studies and dominant theoretical perspectives thus far applied to the Gulf region could be helpful to analyse the region and the research question of this study. Second, the chapter will elaborate the strong interest of IR/IPE for the international mobility of capital in form of FDI but point to the large neglect of the policy dimension of FDI. Third, the chapter will work out the neglect of international labour migration within IR/IPE and ask to what extent migration studies from other academic fields could be useful for the approach of the research question and the region under consideration. Overall, this chapter will highlight the importance of posing the research question of this study. But it will also try to develop some arguments on the reasons for the elaborated chain of neglect and ask to what extent the current study could be considered as an attempt to partially overcome this neglect.

1. The Middle East and the Gulf region: Just a case of geographical neglect?

1.1. The non-West and the debate on Eurocentrism in IR/IPE

More recently there has been a lively debate on the predominance of a Eurocentric view within the field of IR/IPE challenging the strong focus of the field on the »West« (Hobson 2009, 2012; Matin 2013; Sabaratnam 2011; Seth 2011; Tansel 2015). The term Eurocentrism is thereby considered to point to »a specific mode of comprehending modernity that begins and ends with Europe« (Matin 2013: 354). It is, as such, basically used to refer to:

> »the assumption that the West lies at the centre of all things in the world and that the West self-generates through its own endogenous ›logic of immanence‹, before projecting its global will-to-power outwards through a one-way diffusionism so as to remake the world in its own image« (Hobson 2007: 93; see also Frank 1998: 9).

The Eurocentric view is characterised, first, by the assumption that modern socio-economic development has been an entirely endogenous European affair limited to a geographically and culturally defined Europe and the West generally; second, that this endogenous socio-economic development renders the West superior to the rest; third, that this specific modernity and the related institutions and practices are destined to become universal; and finally that based on »the universal validity of the European trajectory« others should imitate the same trajectory (Tansel 2015: 78; Matin 2013: 354).

It is from this backdrop that central concepts such as state, sovereignty, secularism, nationalism, citizenship and civil society are reduced to the European experience without taking into account the role of Europe's contact with other regions of the world and the impact this had on Europe's development. Consequently, there is:

> »a persistent dismissal of the significance of global interconnections between social forces across time and space which then results in [...] the eradication of the role and effect of the non-West in engendering both conjunctural and epochal transformations, some of which are essentially constitutive of the emergence of the modern capitalist economy and the international states-system; and [...] the removal of a number of global events and processes from the analytical discussion, intentionally or unintentionally ›whitewashing all of Europe's sins‹ [...], including colonialism and imperialism« (Tansel 2015: 78).

Important is in this context that this Eurocentric perspective:

> »involves a *triple spatial abstraction*. First, non-European societies are either completely excluded from, or rendered contingent in, theorizing modern transformation in Europe. Second, the violent implications of this purportedly self-generated modern Europe for non-European societies' experiences of modernity are suppressed. And finally, the possibility that contemporary ›modern(izing)‹ non-European societies might influence the dynamics of the modern world and shape its future is theoretically ruled out« (Matin 2013: 354, emphasis added).[17]

17 One interesting point to be mentioned is that within the critique of the Eurocentric perspective it is often highlighted that the Mercator world map, which is the predominantly used world map around the globe, is itself Eurocentric and reinforces »the irrelevance of the East and the superiority of Europe« (Hobson 2004: 5). For instance, although »the actual landmass of the southern hemisphere is exactly twice that of the northern hemisphere […] on the Mercator, the landmass of the North occupies two-thirds of the map while the landmass of the South represents only a third. Thus while Scandinavia is about a third the size of India, they are accorded the same amount of space on the map. Moreover on the Mercator, Greenland appears almost twice the size of China, even though the latter is almost four times the size of the former« (Hobson 2004: 5-6). In the mid-1970s Arno Peters produced the Peter-Galls projection aimed at creating

The field of social sciences generally and the field of IR/IPE in specific are considered to be suffering from this Eurocentric perspective which is also characterised by the absence of non-Western thought (Wallerstein 1997; Matin 2011, 2013; Seth 2011; Shilliam 2011). Especially the field of IR ignores the non-West »not only in its historical account of the emergence of the modern international order, but also in its account(s) of the nature and functioning of this order« (Seth 2011: 168) and as such reveals a »systematic blindness toward the non-West« (Matin 2013: 354). Consequently, by »accepting the largely hermetic rise of the West, Western IR reproduces a narrative that relegates the global South to the theoretical periphery« (Pasha 2008: 154-155).[18] Tansel (2015: 79) describes »this social, historical and geographical lacuna in the literature as an ›ontological exteriority‹ through which the rest of the world is either completely read off or extrapolated only as a comparative utility to prioritise or underscore the European experience«.[19]

Some prominent IR scholars have even argued that »Because it was in fact Europe and not America, Asia, or Africa that first dominated and, in so doing, unified the world, it is not our perspective but the historical record itself that can be called Eurocentric« (Hedley Bull and Adam Watson, cited in Seth 2011: 171). Within this »sanitised version of ›expansion‹«:

> »the violent and bloody conquest of the Americas appears as an orderly and regulated affair because it avoided colonial wars (between Europeans, that is); one in which Europeans subordinated and ruled over other peoples because they desired profit, but also because they sought to civilise non-Europeans and bring progress to them; an account in which non-Europeans could not help but be impressed, such that they sought admission to the exclusive club of European powers«.[20]

Even if the non-West is a matter of analysis there is a prevalent structure of representations. For instance, the states of the non-West are often characterised as »developing«, »failed« or »new« states. Such a characterisation reproduces »the hierarchical self-imagery that underpinned European colonialism« and produces »a disposition that favours intervention and control between the full subjects and lesser objects of world politics« (Sabaratnam 2011: 787). Additionally, too often historical experiences, traditions and alternative modes of development in the non-West are ignored through a one-sided

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a map based on the actual surface in which the South is illustrated as much larger than the North and in which Europe is remarkably »downgraded« (Hobson 2004: 6).

18 Some even argue that there is a »complete absence of the non-West in theoretical frameworks as an active agent of the global history of socio-economic development. Accordingly, the non-West does not even get discarded from the narrative since it was never *included* in the first place« (Tansel 2015: 78, emphasis in original).

19 Sabaratnam (2011: 788) notes »that historiographical understandings of change and development, even for critical historians, are understood in terms of categories and trajectories that were seen as significant in the emergence of Europe's modernity, thus excluding the significance of the pluralities of pasts, presents and futures that were and are happening elsewhere, to which this modernity was necessarily connected.«

20 Seth (2011: 171) adds that this »account of a period that includes the bloody conquest of the Americas, the transatlantic slave trade, the expropriation and sometimes genocide of indigenous peoples, wars of conquest, land grabs, exploitation and oppression, somehow manages to elide much of this history. It also elides the many mass struggles, violent and less violent, that constitute the history of decolonisation – a history that here has only one powerful actor, the white man, who eventually comes to see that the very principles of his club mandate inclusion rather than exclusion.« Note, however, that there is also a lively debate on the question whether Marx' (and Engels') work should also be considered as being Eurocentric (so Hobson 2004: 12-14; Hobson 2012: 52-58) or whether this would be a misinterpretation and distortion especially regarding Marx' *Ethnological Notes* and his letters from the mid-1870s to 1882 (e.g. to the Russian revolutionary Vera Zasulich) (so Tansel 2015).

emphasis on the history and development in the West (Sabaratnam 2011). This, then, results in neglecting the importance of the interaction of international and local social forces at explaining the development of capitalism and in neglecting »the importance of exploring parallel spaces of international and local (agential) interaction without eschewing the construction of causal linkages or prioritising one socio-spatial unit of analysis over another« (Tansel 2015: 91).

This dominant Eurocentric perspective in the broader field of IR/IPE mainly emanates from the lack of a comprehensive historical approach within the field of IR where history is all too often reduced to a »hermetically sealed« European history. Seth (2011: 168-169), for instance, points to the influential work of Waltz (1979: 66) who writes that »the enduring anarchic character of international politics accounts for the striking sameness in the quality of international life through the millennia« and thus renders all history as reduced to European history.[21] Another important reason for the prevalence of a Eurocentric view in the field can be ascribed to the predominance of »the realist focus on ›great power politics‹ and the liberal preoccupation with expanding the zone of ›democratic peace‹ [which] in effect conspire to obfuscate the place and role of the global South in the theory and practice of IR« (Matin 2013: 354-355). Finally, the prevalence of the Eurocentric view is further strengthened through the strong ideological and institutional association of the field of IR/IPE with the US and through the fact that the Eurocentric view has a strong hold not only in the academic field but also within international policy centres and among elites and the intelligentsia of non-Western countries (Matin 2013).

More recently, a range of studies have pointed to the fallacies which result from adopting a Eurocentric perspective by emphasising »that Europe's relations with the world outside Europe may be relevant« (Seth 2011: 172). It has been, for instance, not only intra-European trade but also trade with other parts of the world that has played a central role in the European development. Especially the flows of gold and silver from the Americas and the supply of raw materials from colonies, but also exports of manufactured goods out of Europe are important in this context (Seth 2011). From a more comprehensive perspective Andre Gunder Frank (1998: 4-5) notes that:

> »Europe did not pull itself up by its own economic bootstraps, and certainly not thanks to any kind of European ›exceptionalism‹ of rationality, institutions, entrepreneurship, technology […]. [I]nstead Europe used its American money to muscle in on and benefit from Asian production, markets, trade – in a word, to profit from the predominant position of Asia in the world economy«.

Hobson (2004: 2) notes in this context that beyond the appropriation of land, labour and markets in the non-West through imperialism it was also inventions especially originating

21 Whether the strong focus on European history itself can be described as an historical approach is also doubtful as »where history does figure in IR texts, it is often little more than an illustrative device, for which purpose a paragraph or two on the Peloponnesian War and a thumbnail sketch of the Peace of Augsburg and the treaty of Westphalia take us rapidly to the modern world order« (Seth 2011: 169, n. 4). Additionally, even the presentation of historical classical political thoughts (e.g. of Thucydides, Machiavelli, Hobbes, Rousseau, Kant) within these perspectives cannot be considered as histories of political thoughts but rather as »an ahistorical repetition in which the struggles of these thinkers to make sense of the historical transformations in which they were caught are erased in favor of assertions that they all articulate essential truths about the same unchanging and usually tragic reality: the eternal game of relations between states« (R. B. J. Walker, cited in Seth 2011: 169, n. 4).

in China which contributed to the development in the West so that »the East (which was more advanced than the West between 500 and 1800) provided a crucial role in enabling the rise of modern Western civilisation«. Especially important in this context is the diffusion of what Hobson (2004) calls »Eastern resource portfolios« (such as Eastern ideas, institutions and technologies) to the West, which points to the importance of adopting a »non-Eurocentric idiom«, which is that »without the Rest there might be no West« (Hobson 2012: 10).

1.2. IR/IPE, Eurocentrism and the Middle East

What does the debate analysed above mean in the context of the Middle East region? Quite interestingly the Eurocentric view towards the region already reveals itself in the term »Middle East«. As Demir and Kaboub (2009: 80) note the term Middle East itself is a »fabrication« as it »was the brainchild of the military theorist Alfred Thayer Mahan in 1902«. The broader historical background of this »fabrication« in the early 20th century is illustrated by Fred Halliday (2005: 80-81) who notes that:

> »It was in this context, of Ottoman retreat and inter-European rivalry, that the modern concept of the ›Middle East‹ was born. Hitherto other, more specific, terms had been used – the ›Near East‹ referred to those Arab areas that bordered the eastern Mediterranean, the ›Levant‹ to the same, ›Asia Minor‹ to the Turkish land mass that divided the Arab world from Russia. ›Araby‹ was a half-political, half-literary term, sometimes denoting the Peninsula, sometimes the Arab East as a whole, sometimes an imaginary zone of Amirs, harems and tents. Coined by the American Admiral Mahan in 1902, the term ›Middle East‹ reflected a new awareness of the unity not only of the Ottoman domains, but of those wider areas, former Ottoman provinces, Arabia and Iran which lay between Europe and India and the Far East: the ›Middle‹ distinguished it from these areas.«

This historical »fabrication« and the context within which it emerged thus reinforces the argument put forward by Antonio Gramsci (1971: 447), namely that certain geographical terms like »East« and »West« are »historico-cultural« constructions which »would not exist without man and without the development of civilisation [...] since outside of real history every point on the earth is East and West at the same time.« Importantly, Gramsci (1971: 447) further notes that the use of these terms in a certain way has:

> »crystallised [...] from the point of view of the European cultured classes who, as a result of their world-wide hegemony, have caused them to be accepted everywhere. Japan is the Far East not only for Europe but also perhaps for the American from California and even for the Japanese himself, who, through English political culture, may then call Egypt the Near East. So because of the historical content that has become attached to the geographical terms, the expressions East and West have finished up indicating specific relations between different cultural complexes. Thus Italians often, when speaking of Morocco, call it an ›Eastern‹ country, to refer to its Moslem and Arab civilisation.«

There are two important points to be mentioned within this context. The first point is that this »fabrication« or »historico-cultural« construction of the Middle East which pays little attention to different geographical mappings, histories, cultures and economies of the concerned countries is not really questioned within the broader academic field (Demir and Kaboub 2009: 81). The second point is that this Eurocentric view, as Demir and Kaboub (2009: 77) emphasise, portrays the culture and people of the region of the Middle East as »special and different.«

Crucial in this context is the neglect that »directly and indirectly the East in general and the Muslims in particular have bequeathed a great deal that enabled the West to make the final breakthrough to modern capitalism« (Hobson 2009: 218; see on this also Banaji 2007). Worth mentioning too is that major ideas, technologies and institutions which underpinned the European development from the 7th to the 20th century emanated from the East. Hobson (2009) mentions the first emergence of windmills and watermills from the 7th to 9th century in Persia from where they were spread towards Europe and Asia and the developments in the fields of mathematics, medicine and astrology within the region which were then diffused to the West. Especially important is also the historical importance of the region in global trade and markets, as »between 500-1000 CE a nascent global commercial system (incorporating all parts of the world bar Australia and the Americas) was created by the Easterners – especially the Arabs and Persians, but also the Jews, Black Africans, Indians, Javanese, and Chinese« (Hobson 2009: 218).

Additionally, the Italian financial revolution from the 12th to the 14th century »came directly from the Middle East«, which is not surprising as »Italy was linked directly into the Arabic trading system« (Hobson 2009: 221).[22] Another important aspect related to the rise of the Italian financial dominance is highlighted by Ernest Mandel who argues that »The accumulation of money capital by the Italian merchants who dominated European economic life from the eleventh to the fifteenth centuries originated directly from the Crusades, an enormous plundering enterprise if ever there was one« (cited in Banaji 2007: 62).[23]

With some notable exceptions (e.g. Bromley 1994; Fawcett 2013a; Halliday 2005; Hinnebusch 2003; Owen 2004) the considerable neglect of the Middle East region within the field of IR/IPE continues to date. For instance, Maliniak and Tierny (2011) have analysed twelve leading political science journals from North America that publish IPE research with the result that the regional focus of IPE is clearly mainly on the US and Western Europe, and to a lesser extent on East Asia. More specifically, Haklai (2009), based on his analysis of leading political science journals during the timeframe between 1990-2006, demonstrated that research on the Middle East has constituted just a small part of the research in the field. He argues that research on the region of the Middle East even lags behind Latin America, and East and Southeast Asia.

A look at leading IPE textbooks also reveals this considerable absence. In the work of Oatley (2012), for example, the Middle East is almost completely absent. It is only twice that the Gulf States are mentioned. First, he refers (only briefly) to the flows of petro-dollars and their role at providing financial resources for developing countries intermediated by commercial banks in the 1970s and 1980s; and second, he points to the role of SWFs in the global economy and mentions the investments of Gulf States in Western

22 In one of his other works Hobson (2004: 302) notes that »it was there (principally in the Middle East) where partnerships and contracts (e.g. commenda), cheques, bills of exchange, banking, money-changing, lending at interest for trade and investment, contract law and rational accounting systems were first developed, all of which were passed on to, and assimilated by, the Italians. All the major technologies that underpinned the medieval navigational revolution – the compass, maps, sternpost rudder, square hull, multiple-mast systems and perhaps the lateen sail – were pioneered, and certainly perfected in, either China or the Islamic Middle East.«

23 For more on this point see Banaji (2007: 62-64).

countries (Oatley 2012: 305, 186-188). This is also the case with Cohn (2010: 343-345) who only briefly mentions the increase of oil prices in the early 1970s, which resulted in the accumulation of petrodollars. The brief mention of the region and its oil reserves and/or the increase of oil prices in the early 1970s are also characteristic of the book by Frieden and Lake (2000: 2-4, 121, 157, 177). In some other works, the region is almost completely rendered invisible (e.g. Ravenhill 2011; Walter and Sen 2009).[24] In the work by O'Brien and Williams (2013: 45-46), on the other hand, it is only briefly mentioned that the Middle East has had an important position in the global economy between the 15th and 19th century.

A notable exception within analysed IPE textbooks is the work of Balaam and Dillman (2014: 370-399) which has a complete chapter on the Middle East and provides insights into the region's historical development, the conflicts and the debates on democratisation as well as its role within the global economy and the impact of the globalisation on the region. Contrary to other textbooks it also has a short subsection on the Gulf countries emphasising that these countries »are deeply integrated into the global economy not just through oil exports and SWFs but also via their labor markets« (Balaam and Dillman 2014: 391).

The considerable neglect of the Middle East region also builds the background of the on-going work of Hannes Baumann (2015), which deals with the simple but crucial question: »Why does International Political Economy ignore the Middle East and North Africa?« Although he does not resort to the debate on the dominance of a Eurocentric view within the field, he nonetheless provides two important reasons which he has received by »IPE specialists« in »informal conversations« and which underpin the argument that the field of IR/IPE is Eurocentric: The first reason »IPE specialists« have provided was that the Middle East is not really relevant to the global political economy. The second reason put forward was that the Middle East is characterised by »exceptionalism«.

These two reasons mentioned thus reinforce the argument of Lawson (2006: ix) that »All too often the Arab world is written off as a region where the normal rules do not apply. […] Theoretical debates in international relations and comparative politics go on without taking into account any empirical evidence drawn from the Arab world. Textbooks include no cases from this part of the globe«. It also reinforces the observation of Young (2014: 7) on the Gulf region which, according to her, is either viewed as »exotic« or »anachronistically outside of mainstream international politics«.[25] It is thus not surprising that the reviews of Amour (2012) and Russel (2010) find out that the Gulf region – despite its importance for international relations and for global political economy – has been neglected for many decades. If the broader region of the Middle East has been considered at all then it has been mainly approached within the context of foreign policy and security issues (see on this Lawson 2009, 2013) whereby questions surrounding

24 In the edited book by Ravenhill (2011: 208, 227) the Gulf region is only listed in a table containing regional trade agreements, whereas the contribution by Eric Helleiner only briefly mentions the increasing role of SWFs in the global political economy and mentions in this context also SWFs from Abu Dhabi in the UAE.

25 A Saudi prince notes on this widespread assumption of »exceptionalism« that »sometimes I think we Saudis were dropped out of the sky and landed on the earth, like we are extraterrestrials, because no models or theories fit our special circumstances. We are always contradicting them all« (cited in Vitalis 2007: 2-3).

Islamism, the Arab-Israeli conflict and the conflicts from the 1980s onward (e.g. the Iran-Iraq War 1980-1988, the Iraqi occupation of Kuwait in 1990-1991 and the US-led invasion of Iraq in 2003) have been dominating (Amour 2012: 314; Halliday 2005: 10; Shilliam 2011: 1; Haklai 2009).

There have been, of course, many scholarly works, especially area and regional studies, on the region. It has been, however, argued that until more recently many of these works have been too descriptive whereas the broader field of social sciences has often described the region of the Middle East as exceptional. This means that there is an »inadequate integration of theory and area expertise« (Nonneman 2001: 143). Haklai (2009: 28-29) notes in this context that there is »a significant intellectual gulf« as »disciplinary journals and area journals rarely having the same contributors, or even appealing to the same readers« constitute »two different scholarly worlds«. More specifically, it has been often noted that there is a lack of integrating IR theory and the Middle East. Fawcett (2013b: 6), for instance, notes that »the two have hardly grown up together; rather, they have long resisted constructive engagement.« Lawson (2013: 21) too notes that »for the most part, international relations and Middle East Studies remain strictly segregated from each other«.[26] Therefore, there is still a need »to combine state-of-art theorizing with up-to-date analytical work undertaken by regional specialists« (Lawson 2013: 21). Fawcett (2013b: 1) too points to the need of bringing IR and the Middle East together as »Many works have been published on either side of the Middle East studies-international relations divide, but until recently there were rather fewer titles that took on the challenge of integrating the two disciplines.« This, according to Fawcett (2013b: 1-2), would also allow challenging the often-asserted exceptionalism of the Middle East.

There are, however, two important theoretical approaches prominent at analysing the Gulf region and which should be discussed in some more detail for the purposes of this study. One of the main theoretical approaches applied to the region so far has been the modernisation theory. It emphasises that modernisation in the form of increased socio-economic development will result in more pressure for political reform leading to the collapse of the monarchies. Based on this assumption, Daniel Lerner proclaimed in the late 1950s the »passing of traditional society« because »relatively few Arabs still wanted to live by its rules« (cited in Davidson 2005: 66). Other modernisation theorists have argued that modernisation will result in an expanding size of educated middle classes leading to increased social mobilisation which would then result in some form of political change (see Davidson 2013: 4-5; Davidson 2005: 66). Samuel Huntington too has argued on the same assumptions and represented the »king's dilemma«. He argued that although the political centralisation of monarchy may be useful in the modernisation process of traditional societies, this would create new social groups whose incorporation would be inhibited because of the traditional structures. As a result, monarchies would either resist modernisation or accommodate to the new emerging social groups, which would, however,

26 In the case of most of the existing IR literature on the Middle East Fawcett (2013b: 6, emphasis in original) notes that »A particular difficulty that has arisen in observing the international relations of the Middle East – one that the region shares with other parts of the developing world – is that, traditionally, most of the observers have come from, or were trained, outside the region, and their observations are based on rather different understandings of the traditions and practices of states […]: international relations theory was made *for* the Middle East, but not *by* the Middle East.«

lead to a power loss. Huntington thus concluded that »a gap opens between the modern society and the traditional polity which gave it birth; able to transform the society, but unable to transform itself, the monarchical parent is eventually devoured by its modern progeny« (cited in Davidson 2005: 66-67).

It is from this backdrop that many observers looked at the co-existence of increased socio-economic developments and the hereditary monarchies in the Gulf region as a transitional phase. These monarchies were seen as perfect examples of increased modernisation that would lead to social mobilisation and political consciousness putting pressures on the state. But despite the abundance of capital in the Gulf countries and despite the increased socio-economic development, which according to the modernisation theory should open up the way for political change, the monarchies are still very much in place and even strengthened the traditional polity's legitimacy (Davidson 2005; Benli Altunışık 2014). More importantly, although an urban, educated and mass communication-literate population was indeed emerging in these countries, they did not seem to demand greater political participation as anticipated by the modernisation theory (Davidson 2013). The World Bank (2010: 2; emphasis added) notes in this context that »One *unusual aspect* of the Gulf is the dichotomy between political development, where institutions remain quite traditional, and economic ambitions, which can be benchmarked against the most sophisticated economies in the world«.

It is from this backdrop that the »rentier state theory« (Beblawi 1990; Luciani 1990) has become to be the dominant approach in explaining the lack of anticipated political change. Initially introduced to analyse the case of Iran, the concept of the rentier state referred to those states that received significant rents from foreign individuals or concerns (see on this Davidson 2013). Later on, Beblawi (1990) brought the term closer to the Gulf States by referring to the rentier state as a state where the majority of the population is not involved in the creation of wealth but rather in its distribution or utilisation. The rentier state, it was assumed, distributed the wealth accrued from oil rents to the citizens in form of providing free education, free healthcare, public jobs and housing.[27] In this way, the state could »buy« political acceptance and fill the need for labour in the sphere of production by migrant labour (see on this Benli Altunışık 2014: 78; Davidson 2005: 89; Davidson 2013: 6-7). One of the main implications of such an approach is that the state can thus act autonomously of social demands. Indeed, Luciani (1990: 75-76) has even argued that the distribution of wealth is the central aspect of rentier states and noted that the state »being independent of the strength of the domestic economy, does not need to formulate anything deserving the appellation of economic policy: all it needs is an expenditure policy.« Wealth accruing from natural resources is thus seen as the reason for the lack of political liberalisation.[28]

Although it is undeniable that natural resources play a central role in the Gulf region rentier state theory nonetheless has a very narrow scope as it approaches these countries predominantly »through the lens of oil« (Hanieh 2010: 36). This structural determinism is combined with the fact that the rentier state approach is »ahistorical, equating these

27 That is the reason why Luciani (1990) argues that it is more appropriate to use the term »allocation state« rather than rentier state.

28 Indeed, Ross (2011: 356, emphasis in original) argues that »the oil-impedes-democracy claim is both valid and statistically robust; in other words, oil *does* hurt democracy.«

countries' historical geneses with the discovery of oil and explaining their trajectories in the same terms« (Benli Altunışık 2014: 78). Additionally, the state is represented as a relatively independent entity thus excluding questions such as the social basis of the state and the social, economic and political transformations in the region (Hanieh 2010: 36; Hanieh 2011: 15; Young 2014: 4). In the specific case of Saudi Arabia Ulrichsen (2011a: 66) explicitly notes »that […] the financial autonomy of the state did not translate into immunity from civil pressures or societal contestation.« It is from this backdrop that the »rentier state theory« emphasising the oil wealth and its distribution to nationals in order to get political compliance has been, especially since the late 1990s, widely criticised because it ignores state formation processes (Vitalis 2007), does not pay enough attention to the role of existing political institutions (Herb 1999) as well as to the role and influence of the more traditional institutions (e.g. the *majilis*) (Young 2014), and neglects other important aspects of state-society relations (Foley 2010) including class relations, especially state-capital-labour relations (Hanieh 2011) and as a consequence provides little room for explaining changes.

2. Capital and its international mobility: A case of policy neglect

Whereas the broader literature on the international mobility of capital and labour is largely split (either focusing on the international mobility of capital or on that of labour), and thus revealing little research on the relationship between the international mobility of capital and labour (see on this Harvey 2006; Sassen 1988, 1991; Solimano and Watts 2005), some important examples incorporating both forms of mobility need to be discussed briefly. First, the field of economics has shown an interest in the interrelation between the international mobility of capital and labour. The basic question dealt is whether international capital mobility (in form of international investments) could substitute migration. It is thereby assumed that international investments would create jobs and raise wages, and thus limit the international mobility of labour. Wong (2006), for example, develops an economic model to confirm the assumption that international capital mobility can replace or diminish international labour mobility. Others, on the other hand, argue that FDI and migration are much likely to be complements rather than substitutes (Kleinert 2006).[29]

From a more critical perspective, and drawing upon Marxian ideas, Harvey (2006: 375-376, 380-381) has offered a way to combine the »geographical mobilities of capital and labour power« by asserting that the mobility of labour is »embedded within those [laws] that regulated the mobility and accumulation of capital in general.« He especially emphasises that the labourer »is forced to follow capital wherever it flows« (Harvey 2006: 381) or, in order to overcome barriers to capital accumulation, especially by labour, capital could encourage migration (Harvey 2010: 13-16). Similarly, Sassen (1988) too has remarked that the international mobility of labour could be considered in the context of capital accumulation. She argues that, on the one hand, increased FDI in the South has resulted

29 The international mobility of capital and labour has been also approached by the field of economics as »international factor movements« whereby the traditional international economic theory assumes that reducing barriers to labour mobility would result in the equalisation of wages across countries (for an overview see also Solimano 2010: 56-57).

in de-industrialised cities in the West accompanied by the rise of »global cities«. On the other hand, she argues that increased links created through FDI, production and export contributed to the formation of a pool of potential migrants mostly heading to the »global cities«. It is in this context that Sassen (1988: 1) states that »capital mobility has created new conditions for the mobility of labor« and that migrant workers, due to wage levels, skills, flexible employment options and easy hiring and firing, are especially preferred by capital. Both Sassen (1988, 1991) and Solimano and Watts (2005) argue that the dynamic of migration to the US resembles the pattern of capital mobility with a strong link between US investments abroad and migration to the US.

A more recent attempt at approaching the international mobility of both capital and labour has been made by Altreiter, Fibich and Flecker (2015) who introduced the concept of »double transnational mobility«. Based on case studies from Europe they analyse the international mobility of capital (FDI) which employs internationally mobile labour (migrant labour) by highlighting the intention of capital to move internationally and thereby to employ migrant labour which, so the argument goes, leads to the disembedding of employment relations in the target country.

The latter parts of this study will illustrate that these studies, especially those by Harvey (2006), Sassen (1988, 1991) and Altreiter, Fibich and Flecker (2015) are relevant to this study, as the Gulf region constitutes a geographical area highly characterised by the international mobility of both capital and labour, which has important economic and social implications. This study could insofar also be considered as a contribution to this body of research. For now, however, it remains to be noted that the theoretical approaches discussed above have largely failed to systematically incorporate the issue of state policies towards the international mobility of capital and labour. This lacuna, not only characteristic to the specific body of literature discussed here, needs to be looked at in more detail.

2.1. Approaching FDI

It is somehow interesting that questions related to state policies towards the international mobility of capital, in particular towards FDI, have been largely absent, as a look at leading IPE textbooks reveals that capital and its international mobility, especially in form of FDI, constitutes an important part of the field of IPE. Thus, all dominant textbooks within the field always contain chapters on capital in its different forms (productive/FDI, commodity/trade, money/finance), on TNCs and their role within the global political economy as well as the relationship regarding states (e.g. Cohn 2010; Frieden and Lake 2000; O'Brien and Williams 2013; Oatley 2012; Walter and Sen 2009). Special attention is given to FDI, which is considered by some scholars as »a salient dimension of globalization« (Li and Resnick 2003: 175) or, »a key element in the global economy« (Jensen 2003: 587).

However, one of the predominant characteristics of the approach of FDI within the field is that the majority of studies have mainly focused on the underlying causes of FDI. Consequently, it is not surprising that there is »a vast body of literature to explain the determinants of foreign capital flows« (Jensen et al. 2012: 6). The theoretical approaches aimed at explaining the underlying causes of FDI could be briefly summarised as follows.[30] One option to explain the causes of FDI has been the differential rates of return that are considered to drive FDI. This assumption has been, however, contested as it »is not consistent with the observation that countries experience inflows and outflows of FDI simultaneously. This is because a rate of return differential implies capital flows in one direction only, from the low-rate country to the high-rate country, and not vice versa« (Moosa 2002: 24).[31] Other attempts have pointed to other factors such as the reduction of risk by diversification, the market size of the host country, and the role of market structures and the specific characteristics of investing firms as being important for FDI decisions. From this backdrop, Jensen et al. (2012: 6-8) differentiate the causes of FDI in economic pull factors (i.e. access to raw materials, new large markets and (low-cost or high-quality) labour), and political pull factors (i.e. political stability, investment risk, predictable political institutions, the rule of law) on the one hand, and economic push factors (i.e. interest rates, imperfections in the credit market and technological changes) on the other hand.[32]

This strong focus of the literature on the underlying causes of FDI has usually been accompanied by another main interest, which is the kind of effects FDI has on host countries. The basic assumption found in the literature is that FDI contributes to economic growth and raises income unless the optimum conditions are distorted significantly by protection, monopoly and externalities. The broad range of (empirically contested) contributions of FDI is assumed to be the provision of capital, the contribution to economic development and the increase of employment and wage levels, as well as technology transfers (Moosa 2002: 68-101).

This brief illustration of the approach of FDI shows that the interest has been to a great extent focused on the explanation of the underlying causes of FDI, which factors should be considered as important for FDI, and what effects FDI has on host countries. There are, however, two contested topics within the literature that are relevant to this study. The first contested topic is to what extent human rights play a role regarding FDI inflows. Some argue that TNCs and FDI have negative effects on human rights (Abouharb and Cingranelli 2007). Others counter that human rights violations have a negative effect on FDI, and/or that TNCs and FDI have a positive effect on human rights (Blanton and Blanton 2007). Others, in turn, have argued that there is no effect between FDI and human rights (Smith, Bolyard and Ippolito 1999). A similar line of

30 For an overview on the underlying causes of FDI and the theoretical approaches referred to in this context see Jenkins (2001: 563-565), Jensen et al. (2012: 6-8), Moosa (2002: 23-67), Sornarajah (2004: 50-57), Walter and Sen (2009: 179-187).

31 Moosa (2002: 25) notes that additionally »the objective may be to maximize sales revenue in accordance with market penetration objective. Or the objective may not be purely financial, but rather logistical and operational, such as the desire to circumvent trade barriers.«

32 A contested topic regarding the underlying causes of FDI has been whether and to what extent cheap labour is an underlying cause. Solimano (2010: 91-92, emphasis in original), for instance, notes that »cheap labor is probably *not* the most important factor governing the direction of foreign investment. Other economic and political conditions in the destination country also count – capital that can be invested productively and earn an attractive rate of return also needs workforce with adequate skills and educational levels, property rights that are enforcable, and institutions that are ›friendly‹ to foreign capital.« Jenkins (2001: 564) makes a similar point. Moosa (2002: 34), on the other hand, notes that »Evidence on the hypothesis that cheap labour attracts FDI is mixed« because there are empirical studies supporting and disproving this assumption.

debate has been carried out regarding the relationship between FDI and labour rights. The majority of the studies in the field maintain that, contrary to the assumed negative relationship between FDI/TNC and labour rights, there is a negative effect of labour rights violations on FDI and that high labour standards and FDI inflows are positively related, because FDI tends to be greater in countries with stronger workers' rights (Busse 2003; Kucera 2002). Some even argue »that increases in labour rights violations in developing countries, judged by outside parties, are associated with higher risk assessments« (Egan 2012: 440). A more differentiated view has been put forward by Payton and Woo (2014: 463) arguing »that strict labor laws tend to decrease inflow of FDI, but more FDI tends to encourage better labor practices«:

> »FDI diminishes when labor laws become stricter or, in other words, offer greater protections to workers. This is because tougher labor laws decrease the expected profit from investments and drive away investors. This dynamic will precipitate a ›RTB‹ [race to the bottom] through the failure of governments to grant legal labor protections for fear of driving investors to other, more cost-competitive markets. However, FDI, once made, improves labor protection in practice. Favorable market conditions promising higher expected profits, encouraging more FDI, incentivize investors to invest, even in the presence of labor law enforcement.«

The second contested topic has been around the question of whether regime type plays a role regarding FDI. The discussion has been focused on the question of whether democracies or authoritarian regimes are more likely to attract FDI. On the one hand, some scholars have argued that there may be not only an overlap between the interests of autocrats and investors but that authoritarian countries may also be more attractive because of less pressures from labour and left organisations, making them able to ensure the protection of property rights or because of unopposed and quick procedures (O'Donell 1978; Bastiaens 2016). Others have opposed these arguments by stating that »Democratic political institutions are associated with higher levels of FDI inflows« (Jensen 2003: 588) as democracies provide independent judiciaries and an effective guarantee of property rights and pose no real political risk to foreign investors (Busse 2004; Feng 2001; Jensen et al. 2012; Li and Resnick 2003; Pastor and Hilt 1993). Others, in turn, have asserted that regime type makes little difference for FDI inflows (Biglaiser and DeRouen 2006).

These two contested topics within the literature on FDI are of relevance to this study as the empirical case of the Gulf States features characteristics referred to within the aforementioned debate. First, as will be illustrated in more detail later in this study, the Gulf region has managed to attract increased inflows of FDI especially since the 1990s. Yet, Gulf States have been usually described as authoritarian states in which one ruler (usually the sheikh, emir or king) has the ability to exercise power over important political and economic decisions. Therefore, this study could be considered as an empirical contribution to this debate and, more importantly, by going beyond a limited and uncritical presumption of authoritarianism it could deliver theoretical insights into state-society complexes within these countries, enabling a more thorough picture on FDI inflows and the related state policies. Second, despite the increase in FDI inflows to the Gulf region, human and labour rights constitute two of the most salient topics when dealt with the Gulf States. These states are usually characterised by the absence of political freedoms, the freedom of speech and the right to organise. Additionally, labour rights, especially those of migrant workers, are severely restricted. Thus, this study could also be considered as an empirical contribution to this specific debate without, however, limiting itself to empirical considerations but also providing theoretical explanations of the combination of economic development, FDI and the role of (especially migrant) workers.

Beyond the above mentioned possible contribution of the study, it should be also noted that approaching FDI in the Gulf region becomes even more important regarding the fact that the Gulf region has faced increasing FDI flows since the late 1990s, but that studies regarding FDI flows to the region are mainly from the field of economics (e.g. Ramady 2012), and primarily interested in the relationship between FDI and economic growth (e.g. Al-Irani and Al-Shamsi 2007; Iqbal and Nabli 2007; Sadni-Jallab et al. 2008; Mina 2007). Additionally, many studies (like that of El Sady 2012) are concerned with providing information and advices either for policy-makers on how to attract more FDI or for investors on what to expect in investing in the region. Toone (2013: 682) notes in this context that »given the low levels of FDI prior to the upsurge in FDI that began in 2002, the literature has tended to prescribe solutions for Gulf and MENA states as to how to attract more FDI.« This makes it additionally important to analyse state policies of the Gulf States towards FDI.

2.2. Approaching FDI policies

It has been already noted above that the approach of FDI in the literature has largely neglected the policy dimension of FDI, which is, however, of special importance to the research question of this study. The fact that state policies towards FDI have gained relatively less academic attention within the literature has been also mentioned by other scholars (e.g. Büthe and Milner 2008). It is also from this backdrop that Jensen et al. (2012: 8) argue that »the role of policy and institutional variables has not been as carefully conceptualized as the economic determinants of investment«. This is in a sense curious because state policies towards FDI do indeed matter as will be demonstrated in more detail below and as has been also noted by other scholars (e.g. see Ahlquist 2006; Jensen et. al 2012; Sornarajah 2004; UNCTAD, 2003; Walter and Sen 2009).

At the definition of state policies towards FDI it has been already worked out that there are many dimensions of FDI (especially the entry, operation and exit of FDI), which are subject to state policies towards FDI. Beyond this, there is another interrelated reason why state policies should be considered as central at approaching FDI. Despite many historical attempts at regulating FDI at the global level, and despite calls for the need for such a framework (e.g. by Åslund 2013), there is still no such regulatory framework so that states still remain central to the regulation of FDI.[33]

33 The attempts to create an international framework for foreign investments and the reasons why such attempts have failed is dealt with in many works which also build the basis for the following illustration (see, for instance, Cohn 2010: 276-283; Crystal 2009; Milner 2014; Oatley 2012: 194-198; Sornarajah 2004: 269-303; Walter and Sen 2009: 201-211; UNCTAD 2015: 121-125). A more recent development has taken place in the European Union where, through the Treaty of Lisbon (which entered into force in December 2009) the competence on FDI shifted from the member states to the EU level. Yet, the harmonisation of investment treaties signed by individual member states, the establishment of a common investment policy

One of the first attempts has been to incorporate investment rules within the International Trade Organization (ITO) (which was the predecessor organisation of the WTO) through the Havana Charter in the late 1940s. This attempt has been, however, not successful as foreign investors have opposed articles granting host states the right to regulate foreign investments. The following General Agreement on Trade and Tariffs (GATT) was essentially related to trade and did not really cover issues related to foreign investments. The following attempts to create a code of conduct for TNCs under the umbrella of the UN from the 1960s until the early 1980s resulted in a draft but it was neither implemented nor formally rejected as the interests of developed countries (wanting rules to protect foreign investments by limiting the right of regulation) collided with the interests of developing countries (wanting the right to control foreign investments within their territories). Importantly, however, the Uruguay Round of the WTO (1986-1994) has, despite strong opposition from developing countries, placed trade-related investment measures (TRIMS) on its agenda in order to limit the use of measures such as domestic-content, trade-balancing requirements and export-performance requirements regarding FDI policies of host countries. Additionally, the General Agreement on Trade and Services (GATS) as well as the agreement on trade-related aspects of intellectual property rights (TRIPS) contain investment-related provisions. However, it remains to be noted that »the WTO investment provisions do not provide a comprehensive body of rules for FDI; they are not designed specifically with investment in mind and are scattered throughout the agreement« (Cohn 2010: 281).

Another attempt to create an international framework regulating foreign investments has been initiated by the OECD. A draft of guidelines prepared in 1992 thereby resulted in negotiations between OECD countries on a Multilateral Agreement on Investment (MAI) in 1994. The MAI basically proposed the further liberalisation of FDI and the extension of protections granted to foreign investors. It contained a range of principles like the principles of national treatment and most favoured nation and aimed, amongst others, to guarantee the free repatriation of profits, the »prompt, adequate and effective« compensation in case of nationalisations and expropriations, and the establishment of a dispute settlement mechanism. The attempt to establish a MAI has, however, failed because of disagreements within the OECD countries, the opposition of the excluded developing countries and, importantly, because of widespread and effective protests organised by different NGOs.[34] The result has been that the negotiations were stopped in December 1998 without a final treaty.

However, one important development at the global level related to FDI has been the immense increase in bilateral investment treaties (BITs) (Milner 2014: 3-4; Sornarajah 2004: 204-268; Walter and Sen 2009: 203-205). The number of BITs increased from 385 at the end of the 1980s to 1,513 in 1993, and then to 2,067 by the end of 2000 and to 2,495 by the end of 2005 (UNCTAD 2015: 123; Walter and Sen 2009: 203). According to

and the new attempts of the EU to negotiate trade and investment agreements is still controversially debated and there is a need for more academic research on these attempts at the European level.

34 Sornarajah (2004: 269) notes that »Most drafts have been made with the objective of providing as much protection as is possible to foreign investment. These have been rejected by capital-importing states. The entry into the picture of non-governmental organizations further complicated this picture.«

most recent data there are now a total of almost 3,000 BITs of which 2,319 are in force.[35] These treaties which are signed between states in order to encourage flows of FDI usually contain liberal provisions regarding the protection and promotion of investments; the repatriation of profits; national treatment; compensation; dispute settlement mechanisms; and they usually do not impose any obligations on TNCs (Cohn 2010: 277-278; Sornarajah 2004: 218-259; Walter and Sen 2009: 205). They are constructed to provide »a stable investment climate. They lock countries into agreements that offer national or non-discriminatory treatment of foreign investors, allow firms access to dispute settlement procedures, and promise third party arbitration of disputes« (Milner 2014: 4). Whereas the rationale of BITs is to protect incoming capital and to »give priority to the rights of MNCs« (Cohn 2010: 278), the provisions regarding dispute settlement mechanisms allow that the foreign investment is »insulated from the reach of the local laws« (Sornarajah 2004: 208).[36]

To conclude, regarding the research question of this study and based on the above discussion, it should be noted that state policies towards FDI have gained relatively less academic attention; that there is no regulatory framework for FDI at the global level which points to the continuing importance of state policies in this context; and that the immense increase of BITs should not obscure the fact that they are principally signed between states which, again, points to the central role of states regarding the regulation of FDI. Overall, all these factors point to the need for a more detailed analysis of state policies towards FDI.

3. International labour migration: A case of contentual neglect

3.1 The approach of international migration within IR/IPE

As discussed in the previous section, especially in the field of IPE there is a strong focus on capital, TNCs and the international mobility of capital, particularly in form of FDI. Labour and the international mobility of labour, in contrast, have been largely absent from the field. For instance, many major IPE textbooks pay almost no attention labour (e.g. Ravenhill 2011; Frieden and Lake 2000) or only briefly mention of TNCs' activities either on workers in home countries (e.g. whether internationalised production leads to a decrease in exports and thus leads to unemployment and puts a pressure on trade unions) or on workers in host countries whereby debates surrounding »sweatshops« and global core labour standards are only briefly sketched (e.g. Cohn 2010: 273-274; Oatley 2012: 351-358).[37] The analysis of courses offered at universities and the analysis of research

35 See http://investmentpolicyhub.unctad.org/IIA (accessed 23.07.2016).

36 One of the most contested topics within the literature is whether BITs enable more inflows of FDI. Some argue that BITs (and other institutionalised trade-related commitments to FDI flows) promote FDI flows (especially to the developing world) (e.g. Busse, Königer and Nunnenkamp 2010; Büthe and Milner 2008, 2014). Others, however, argue that the contribution of BITs to FDI flows is exaggerated (Hallward-Drimeier 2003) or even that the relationship between BITs and FDI is not empirically proven (Sornarajah 2004: 216-217).

37 At one place, Walter and Sen (2009: 237) seem to set themselves apart by stating that »It would be wrong to think that labor has relevance to the global political economy to the extent that immigration becomes important. The enormous pool of relatively unskilled labor in the developing world [...] has had important effects on the global political economy through the growth of their exports [...] and of their role in offshore outsourcing. The estimated fourfold increase in the global pool of labor since 1980 has gradually reduced

articles published in leading journals further indicates the considerable absence of labour in the field from the 1990s onward (O'Brien 2002: 90-91; Moore 2010: 5). It is therefore indeed possible to argue that »the majority of academic IPE [...] has excluded the labour question from its arena of investigation and its conceptual apparatus« (Selwyn 2015: 532; see on this also Radice 2000: 11).[38]

This »poverty of IPE« (Selwyn 2015) is somehow remarkable, not only because of the continuous increase in the labouring class, its centrality to international corporate restructuring, and its role regarding transformations and changes within world orders (O'Brien 2002; Selwyn 2015; Radice 2000). It is also remarkable »because political economy was originally a study, in many ways, of work« (Moore 2010: 5). It is from this backdrop that the neglect of labour should be seen as »a mistake both theoretically and empirically« (O'Brien 2002: 89) and that the small number of studies analysing labour within the field of IR/IPE (e.g. Bieler 2013; Moore 2010; Munck 2010; O'Brien 2000, 2002, 2004, 2013; Palan 2002; Selwyn 2015) are a valuable contribution in this sense. These studies are uncovering the neglect of labour within IR/IPE and are emphasising the importance of labour for the global political economy. Yet, although these studies can be indeed considered as foreshadowing the considerable neglect of the international mobility of labour within the field, topics regarding the international mobility of labour and the related state policies towards it are also widely absent within this specific literature. Therefore, these studies too seem to suffer from what has been diagnosed for the field of IR/IPE generally, namely that international labour migration has been largely overlooked and absent in the field (Hollifield 2012: 3-4; Hollifield and Wong 2015: 246-247).

This considerable absence of international migration generally is curious, as more than thirty years ago Myron Weiner (1985: 442), an IR scholar, pointed to the significant absence of international migration in the field of IR and noted that:

> »the literature on international relations says relatively little about population movements, except insofar as the refugee phenomenon is described as an outcome of conflicts. How do state actions shape population movements, when do such movements lead to conflicts and when to cooperation, and what do governments do in their domestic policies to adjust to or influence population flows are questions that have received far too little attention« (see on this also Dreher 2007 and Mitchell 1989).

More than fifteen years after Weiner (1985) made this statement, Nazli Choucri (2002: 114) has pointed to »the absence of migration as a topic in graduate courses in the field and its

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the global capital-to-labor ratio and increased the share of corporate profits in national income [...]. It has also contributed to the relative stagnation of the wages of the less skilled in advanced countries, though on average these groups have been compensated by the positive consumption effects of cheaper imports.« Interestingly, however, their work – apart from neglecting migration issues – approaches labour in a much similar and short way as other aforementioned textbooks (Walter and Sen 2009: 220-223).

38 There are three main reasons put forward to explain this neglect. First, the increased attempts from the 19th century onward to contain the influential work of Marx and, later on, also to contain the influence of the Russian revolution in 1917 on the academic field (Selwyn 2015). Second, the fact that »the study of labour issues may be harmed by guilt of association. Interest in labour issues is often associated with Marxist analysis and Marxists have not been prominent in mainstream IPE« (O'Brien 2002: 91). In fact, through their analysis of leading IPE journals Maliniak and Tierny (2011) show that from the 1980s onward there has been a decline in Marxist studies published in these journals. The third reason put forward is that the dominance of state-centred theories has hindered the focus on other social forces, including labour (O'Brien 2002). Importantly, however, O'Brien (2002: 91) notes that also »Within the Marxist tradition, many international relations studies have focused upon the role of elites rather than workers.«

practical non-existence in the textbooks«, while Freeman (2005) noted that from the 1980s to the 1990s a big part of classic works of IR did not mention migration in its indexes.

This absence of migration is also observable in the IPE textbooks. Whereas in the works of Cohn (2010), Oatley (2012) and Walter and Sen (2009), migration issues do not really constitute an important element of the global political economy, others only briefly mention migration issues. For instance, in the edited work by Ravenhill (2011) – apart from the indication that until the early 20th century people moved freely around the world – migration is only briefly mentioned in two sections: in one section on the domestic sources of foreign economic policies, where migration is approached in a strict economic sense as factor mobility; and in another section on economic globalisation, including the increased amount of migration, especially from South to North, and the scale and importance of remittances (Ravenhill 2011: 10, 102-104, 489-490). In a quite similar way Frieden and Lake (2000) only briefly point to the increased restrictions on migration from the early 20th century onward, the increased amounts of migration from South to North since the 1980s, and to the role existing wage differentials played at this process (Frieden and Lake 2000: 406-407, 409-410).

A notable exception to be mentioned is, however, the work by Balaam and Dillman (2014: 440) who note that »In today's highly mobile landscape, global migration is clearly an important subject for IPE.« Consequently, they have devoted a whole chapter on migration. They provide an overview of different forms of migration (e.g. refugees and internal, transnational, circular and chain migration), and also elaborate debates related to migration (e.g. brain drain, remittances and if and how migration contributes to development and what this means for labour markets). More importantly, they do not limit their approach to South-North migration but also point to the importance of South-South migration with special emphasis on the Asian and Gulf region (Balaam and Dillman 2014: 427-440). Despite this important contribution it remains, however, to be noted that with some exceptions (e.g. Dreher 2007; Moses 2005; Phillips 2005, 2011) issues of international labour migration still remain a largely neglected topic within IR/IPE (Hollifield and Wong 2015). According to one scholar this »failure to systematically examine migration flows is somewhat of a mystery given the fact that migration – often defined as the movement of people across national boundaries – is an *international* phenomenon« (Mitchell 2012: 2-3, emphasis in original; see also Betts 2011a). Regarding the reasons for this neglect James F. Hollifield notes that:

> »The period from 1945 to 1990 was dominated by the Cold War and international relations theorists tended to divide politics into two categories: high and low. In the realist formulation, high politics – the paramount subject of international relations – is concerned with national security, foreign policy, and issues of war and peace, whereas low politics is concerned with domestic issues relating to social and economic policy. In this framework, international migration, like any economic or social issue, belongs in the realm of low politics and therefore was not a subject of analyses by scholars of international relations, especially national security and foreign-policy analysts« (cited in Mitchell 2012: 3; see also Hollifield and Wong, 2015)

This assertion seems to be in line with the fact that especially after the end of the Cold War and the 9/11 attacks many of the studies within the field of IR have mainly focused on the link between migration, terrorism and national security (e.g. see Adamson 2006; Bigo 2001; Choucri 2002; Dannereuther 2007; Guild 2009; Rudolph 2003). It is only more recently that migration issues have become of interest regarding their impact on the sovereignty of the state, as well as regarding border controls and the governance of labour migration within the context of globalisation (Betts 2011b; Gabriel and Pellerin 2008; Geiger and Pecoud 2010; Newland 2010; Sassen 2000).

3.2. The approach of international migration across disciplines

Although the field of IR/IPE has been largely neglecting international migration it has been quite intensively approached by a range of other disciplines. In their work on migration theory Brettell and Hollifield (2015a) illustrate that, notwithstanding the lack of interdisciplinary approaches,[39] the topic of migration has been an issue dealt with by different fields of study including economics, sociology, law, anthropology, demography and geography. Importantly, however, migration theories and migration studies reveal a dominant interest for »the determinants of migration« and »immigrant assimilation«, i.e. the causes and effects of migration (Massey et al. 1993, 1998: 17-59; Castles, de Haas and Miller 2014: 25-54).

For instance, the neoclassical economics approach which, according to Massey et al. (1993: 433), is »Probably the oldest and best-known theory of international migration« and »has strongly shaped public thinking and has provided the intellectual basis for much immigration policy«, focuses mainly on geographical differences in the supply and demand for labour power and the differential in wages in developing and developed countries as the main factors leading to migration (Hamilton and Whalley 1984; Hatton and Williamson 2008; Moses and Letnes 2004).[40] The migrants are thereby usually assumed to act as rational actors who »survey the options available to them and choose where to live and work« (Martin 2015: 90).[41] Another approach, the »new economics of migration« (Lauby and Stark 1988; Stark 1984, 2003, Stark and Bloom 1985), basically argues on the same line but asserts that is not the individuals who decide whether to migrate or not but larger units such as the family or the household »in which people act collectively not only to maximize expected income, but also to minimize risks and to loosen constraints associated with a variety of market failures« (Massey et al. 1993: 436).

Yet, the explanation provided by economic approaches remains precarious for at least three reasons. First, it perceives migrants/households as rational behaving actors and neglects that migrants do not have »unlimited access to relevant information with which to make well-supported decisions on the value of a move and on the best alternative

39 Castles (2010: 1569) notes »that migration research is compartmentalised, with little analytical and methodological collaboration across boundaries.« See on this also Favell (2008) and Massey et al. (1993).

40 Some economists thereby also argue that economically there would be »large gains from the removal of global immigration controls« (Hamilton and Whalley 1984: 70; see also Moses and Letnes 2004). Pritchett (2006) and Winters (2008) argue in this context that increasing labour mobility would be the best economic development strategy as it would, on the one hand, satisfy the demand for labour in developed economies and, on the other hand, promote the economies of developing countries.

41 In a more recent study, for instance, Martin (2015: 96) argues that »Most international migrants cross borders in search of economic betterment, which most find in the destination country« and that in the case of migration to the US migrants would earn higher wages whereas migration would reduce the wages of US natives. Martin (2015: 96) further argues that as a result, »Adding immigrants to the labor force expands GDP by slightly lowering wages and increasing returns to capital, with most of the increase in national income accruing to immigrants and employers«.

destination. In fact, information is frequently imperfect and the migration decision is often based on expectations and myths rather than on rational calculations« (Cohen 2006: 129). Second, it ignores structural factors such as (former) colonial, military and capitalist/ economic relations that enable migration (Sassen 1988), and as a result overlooks the fact that migration can and often does continue despite diminishing wage differentials and the lack of a demand for labour (Massey et al. 1993: 455).[42] Third, the explanation provided by economic approaches ignores especially political factors (Castles 2010: 1573; Weiner 1985: 445), so that »the effects of home and host states and […] the importance of politics and policies, [...] are only considered as distortion factors or additional migration costs« (Kurekova 2011: 7).

Other approaches have tried, from a more critical and structural perspective, to explain migration through the increased demand for labour in the industries of the advanced capitalist countries. The economies of these countries, it is argued, are characterised by a dual or segmented labour market. The capital-intensive sector is characterised by the presence of trade union organisations, employment benefits, high salaries. The labour-intensive sector on the other hand is characterised by low levels of payment and organisation, providing insecure and low-skill jobs. Whereas native workers dominate the former sector, it is difficult to hire native workers for the latter sector. Migrant workers are an easy and cheap solution for the demand in this sector which, consequently is dominated by migrant workers (Castles and Kosack 1973; see on this also Castles, de Haas and Miller 2014: 35-36; Massey et al 1998: 28-34). Yet this approach can also be considered to have severe limits. First, the asserted division between two sectors is arbitrary (Castles, de Haas and Miller 2014: 35-36; Massey et al 1998: 28-34) and it has also »proved difficult to verify this segmented market structure empirically« (Massey et al. 1993: 458). Second, this perspective excludes the role of sending countries within the process of migration and has difficulties in explaining the differences in immigration rates in countries with similar economic structures (Kurekova 2011: 9-19). Finally, it also lacks a thorough analysis of migration policies. Whereas guest worker recruitment programs are considered to be an important factor, a detailed analysis of state policies towards international labour migration is not really pursued.

The strong focus on the causes of migration was partly broken up by studies from the field of sociology. The main focus has been on the socio-economic status of migrants, their labour market situation, the integration of migrants in receiving countries and the role of migrants at the formation of a national identity.[43] Other studies have emphasised the transnational dimension of migration by arguing that migrants no longer reside in one country and can shift between the country of origin and destination and thus create

42 Many scholars also point to the high unemployment rates within the migrant population, which additionally challenges the economic approach of migration. Hernández (2002: 118), for instance, points to the high unemployment of Dominican migrants in the US and asks: »If their labor was so badly needed in the United States, why has their relationship with the labor market been so erratic? And why have unemployment rates remained so high among Dominicans […]?«

43 See, for instance, Castles and Kosack (1973) for immigrants in Britain, France, Germany and Switzerland; Hernández (2002) for Dominicans in the USA and Cohen (2006: 63-109) for the problem of social exclusion and the formation of a national identity. For a general overview see Fitzgerald (2015) and Han (2000: 55-62).

transnational spaces (Glick-Schiller, Basch and Blanc-Szanton 1997; Pries 1998; see on this also Fitzgerald 2015). Yet, despite providing new theoretical and empirical insights and breaking up the strong focus on the causes of migration, sociological perspectives have largely neglected the role of the state at migration processes and at regulating migration (Hollifield 2004; Waldinger and Fitzgerald 2004).[44]

The consideration of political aspects of migration by political scientists arose late in the conversation. Massey (1999: 303), for instance, noted in the late 1990s that »Until recently, theories of international migration have paid short shrift to the nation-state as an agent influencing the volume and composition of international migration«. It was only from the mid-1990s onward that the field of political science started to consider migration and to look at the political dimensions of international migration (Freeman 1995; Zolberg 1999). This late consideration of migration is, however, rather puzzling as migration is taking place within a legal and institutional framework and states play a central role at regulating migration. More broadly, »state controls operate at internal as well as external levels, seeking to regulate membership in the national collectivity, as well as movement across territorial borders« (Waldinger and Fitzgerald 2004: 1178).

Yet, it has to be remarked that the field of political science has especially focused on specific topics. First, it »has paid attention to what sociologists and economists have written about social and economic incorporation and added to it the dimension of political incorporation, specifically questions of citizenship and rights« (Brettell and Hollifield 2015b: 9). Second, it has focused strongly on the question if and why migration policies fail, or more specifically, how to explain the gap between policy objectives and outcomes (see on this Czaika and de Haas 2013). Third, especially following the 9/11 attacks and the bombings in Madrid (2004) and London (2005), it has unveiled a strong interest in the relationship between migration and national security, which resulted in what has been called the »securitisation of migration« (see on this Castles 2013: 127; Castles 2014: 191). Nonetheless, although migration studies from the field of political science »does not explain *how*, *when* and to *what extent* [the politics and state matter]« (Hollifield and Wong 2015: 234, emphasis in original) especially the more recent contributions from the field constitute an important contribution to the analysis of migration and the role the state and policies thereby play (Boswell 2007; Castles 2004; Cornelius and Rosenblum 2005; Czaika and de Haas 2013; Freeman 1995, 2005; Hollifield 2004; Meyers 2000, 2004; Rosenblum and Cornelius 2012; Zolberg 1999).

In addition to the strong focus of migration studies on the causes and effects of international migration and the considerable neglect of state policies towards international migration, it also ought to be mentioned that the majority of the studies on migration have been focusing on migration to the West, especially to Western Europe, North America and Australia. This fact has also been noted by a range of scholars (e.g. Castles 2010: 1571-1572; Cornelius and Rosenblum 2005: 111; Fitzgerald 2015: 122; Massey 1999: 307; Meyers 2000: 1271). If the countries from the South are considered at all, then it is usually done insofar as migration from these regions of the world affect the Western

44 Note in this context also the critique of Fitzgerald (2008: 4) that »Many emigrants have served ties to their homeland altogether rather than maintain the simultaneous ties to two or more countries that the literature of transnationalism celebrates.«

countries (Mittchell 2012: 20-22). As a result, South-South migration only constitutes a minority in the literature on migration.

This is quite striking, as South-South migration is central to international migration and »Most of the movement has been from one developing country to another« (Weiner 1992: 93). This is also confirmed by the IOM (2013: 56), which remarks that although South-North migration plays a central role to the overall migration flows, »South–South migration flows, which are much more likely to be under-recorded, could possibly be the dominant pathway or, at least, be as important as the South–North flows.«[45] The importance of the South-South migration is also pointed to by the United Nations (UN) emphasising that it is as common as South-North migration and that it even constitutes the largest category (UNDESA 2013a). More recently the UN has reported that the migrant population originating from and living in the South grew from 57 million in 1990 to 90 million in 2015, representing an increase of 57% (UNDESA 2016: 2).

Importantly, the widespread neglect of South-South migration is also accompanied by the considerable neglect of migration policies in the South so that »although most research has focused on developed-state immigration policies, a substantial majority of overall international migratory flows are within the global South« (Cornelius and Rosenblum 2005: 111).[46] This state of art is attributed to a predominant Eurocentric view within the field of migration studies because in these »Euro-Centric views migration focuses on reaching the ›West‹, or the ›North‹ usually meaning the industrialised, rich countries in Europe, from the ›East‹ or ›South‹« (Demuth 2000: 28). Consequently, Favell (2008: 267) rightly asserts that »We ought to be encouraging the production of far more work about migrations in all the regions of the world, not just those in the West«; while Meyers (2000: 1271) correctly adds that »The study of immigration policies in other parts of the world – including Latin America, East Asia and the Middle East – would broaden the empirical basis for analysis.«[47]

Considering the fact that the Gulf region is one of the main destinations for international labour migration and that migration to the Gulf region has been mainly South-South migration, this study could be considered as a contribution to the afore-mentioned call for further research on South-South migration. Additionally, the analysis of migration policies in the Gulf region, which have gained relatively less attention despite the fact that the region is a major site for labour migration, will contribute to the more recent debate on migration policies. Such an analysis is also important because, although there are some early works approaching labour migration to the Gulf (e.g. Seccombe 1983; Seccombe and Lawless 1986; Birks, Seccome and Sinclair 1988), even scholars who work on migration in or to the Gulf region note that »there are few comprehensive studies to date

45 The IOM (2013: 56) notes that more than half of the top 20 migration corridors worldwide (that is, those with the highest number of migrants moving between two countries) are along the South-South pathway and emphasises that although data on South-South migration flows is limited, informal movements have to be considered to be more common in the context of these flows so that the numbers of South-South migrants may be higher than estimated.

46 Castles (2010: 1571) additionally remarks that migration studies generally are also characterised by a lack of incorporating a »perspective from the south«.

47 For an important exception regarding the neglect of the Gulf region in migration studies see Massey et al. (1998: 134-159).

that examine the phenomenon of labor migration in the region« (Kamrawa and Mehran 2012a: 2; see also Gardner 2012) including the related state policies towards migration (Thiolett 2016; Winckler 1997).[48] Therefore, this study could, based on and in addition to more recent valuable steps to overcome this state of art (e.g. Kamrawa and Mehran 2012b; Khalaf, AlShebabi and Hanieh 2015; Thiolett 2016), also be seen as a contribution in this regard.

4. Summary

The aim of this chapter was to ask to what extent state policies towards the international mobility of capital (FDI) and labour (international labour migration) more generally, and in the specific case of the Gulf States, have been approached within the literature. It is argued, along a threefold chain of neglect, that neither the broader region of the Middle East nor questions related to state policies towards FDI and international labour migration have gained substantial academic attention. First, it should be noted that the considerable neglect of the Middle East region cannot be seen as just as a geographical neglect, but that it also reflects the accusations of the field of IR/IPE as being Eurocentric. In addition to this, whereas there is a lack of academic interaction between regional studies on the Middle East and IR/IPE, dominant theoretical approaches to the Gulf region pose limits for approaching the research question of this study. Second, the field of IR/IPE has developed a strong interest for questions related to the international mobility of capital, especially in its form as FDI. Interestingly, however, most of the literature has focused on the analysis of the causes and effects of FDI and showed little interest for the systematic analysis of state policies towards FDI. Third, importantly, questions related to the international mobility of labour in form of international labour migration has been also largely absent from the IR/IPE literature. Migration studies form other academic fields on the other hand have been predominantly interested in the causes and effects of migration so that until more recently the policy dimension of migration did not get much academic attention. Last but not least, it is also remarkable that the sheer amount of research within the field of migration studies has almost exclusively focused on South-North migration, so there is a need for a more comprehensive analysis of South-South migration and the related state policies towards international labour migration in the South.

By revealing this threefold lacuna within the existing literature this chapter has also highlighted to what extent it could be seen as a contribution to overcome this lacuna. First, through establishing an analytical framework that incorporates state policies towards both FDI and international labour migration it could provide a basis upon which the analysis of both forms of mobility and the related state policies could be approached. By doing so, the study could also be considered as a contribution to overcome the considerable absence of academic interest for FDI policies on the one hand, and as a contribution to bring in the important dimension of international labour migration on the other.

Second, the study could be considered as contribution to bring in a region – the Gulf region –, which despite its importance for the global economy did not gain much academic

48 Many scholars additionally note that the majority of the academic work on migration in the Gulf region is from the field of anthropology and ethnography (Kamrawa and Mehran 2012a; Thiollet 2016).

interest within the field of IR/IPE. This study will, through situating the Gulf region within the global political economy, not only highlight the importance of the region for the global economy but also illustrate what effects the global interactions of the region have on state-society relations. Third, and finally, the empirical analysis of Gulf States' policies towards FDI and international labour migration would not only constitute a new contribution to the literature but could also be considered as an attempt to rethink and to break up some widespread assumptions, including the region's exceptionalism, by providing insights into state-society relations in the region. Before turning to the more comprehensive empirical analysis of these aspects, however, it is necessary to ask to what extent existing theoretical perspectives within the field of IR/IPE could be useful for the approach of the research question. This is the task of the following two chapters of this study.

3 Exploring Theoretical Perspectives

The aim of this chapter is to explore two mainstream theoretical perspectives – realism/neorealism and neoliberal institutionalism – within the field of IR/IPE, and ask to what extent the theoretical framework they provide could be of relevance regarding the research question posed in this study. For this purpose, a closer elaboration of both perspectives will lay down the historical background, the primary units and levels of analysis and the basic assumptions of their theoretical framework. Although it is important to keep in mind that »there is a wide diversity of writings within each theoretical perspective« (Cohn 2010: 53), any elaboration of this diversity would go beyond the scope of this study. Instead, this chapter will work out the basic theoretical assumptions of each theoretical perspective and analyse some selected key authors and writings. This will be complemented by looking at the more specific studies on FDI, international labour migration and the related state policies, as well by looking at how the region of the Middle East has been approached. Each theoretical perspective will be critically analysed, particularly with regard to the gaps identified in the second chapter of this study and with regard to their relevance for the research question. A special focus will be put on the ontological and epistemological aspects inherent in these theoretical perspectives.

1. Realism, neo-realism and the trajectory of state-centrism

1.1. Historical background and theoretical propositions

Realism, especially neorealism, is one of the dominant approaches within the field of IR/IPE and constitutes a central part of textbooks in these academic fields (e.g. see Cohen 2014: 15-36; Cohn 2010: 55-76). The field of IR has been predominantly pointing to the works of Thucydides, Machiavelli, Thomas Hobbes and Hans Morgenthau as the historical origins of realism and has especially focused on the work of Kenneth N. Waltz (1979), which was termed as structural realism or neorealism (see on this Donnelly 2005: 30-37). The main theoretical framework provided by neorealism asserts that the international system is characterised by the absence of a central authority at the global level and that the international system is thus anarchic. This, it is argued, makes it necessary to focus on the state as the main unit of analysis (Waltz 1979: 88-97). The state is analytically looked at as a unitary actor behaving based upon rational cost-benefit calculations. It aims to secure its survival within the anarchical international order.[49] Cohen (2014: 17) notes that this state-centricism does not mean to exclude other relevant actors but »simply means privileging the state above other units of interest. […] The state is prioritised.« This prioritisation is explicitly mentioned by Waltz (1979: 65) who notes that »It is not possible to understand world politics simply by looking inside of states. If the aims, policies, and actions of states become matters of exclusive attention or even of central concern, then we are forced back to the descriptive level«. It is within this context that many issues – clustered under the term of »low politics« – did not gain much academic interest within this approach.

Although the work of Waltz (1979) remained an important part of IR theory, the field of IPE has instead primarily emphasised the works of Alexander Hamilton and Friedrich List as the historical origins of realist studies within IPE (Cohn 2010: 58-59).[50] These authors emphasised the role of the state as the basis of economic activity and development and usually pointed to the industrial development in Britain in the 19th century which was essentially enhanced by imposing restrictions on imports as well as by providing state support for domestic economic development. Whereas the process in Britain resulted in an economic strength demanding international free trade, countries such as the US and Germany still had to master their economic development. It is from this backdrop that Alexander Hamilton and Friedrich List pointed to the importance of the state and state interventionism for industrialisation and economic development. They proposed that economic protectionism, for instance in form of trade barriers and state initiated infrastructural projects, was central for the catch up with Britain (Cohn 2010: 58-59; Dunn 2009: 32-37). These works constitute important elements of the realist perspective within the field of IPE and are usually associated with the works of Robert

49 Grieco (1988: 488) notes that realism has five central assumptions: first, states are the main actors in international relations; second, states act according to their national interests and behave as unitary-rational agents; third, international anarchy is the principle force shaping the motives and actions of states; fourth, states in anarchy are preoccupied with power and security making it hard to cooperate; fifth, international institutions affect the prospects of cooperation marginally.

50 For a short review of the works of both Alexander Hamilton and Friedrich List see Harlen (2001) and Lee (2001), respectively.

Gilpin (1987, 2000, 2001) and Stephen D. Krasner (1985, 1999).[51] Beyond sharing some of the basic theoretical assumptions of the neorealist approach, especially the state-centric view,[52] these authors not only brought in economic relations but also looked in a more nuanced way at topics such as the influence of the international structure on states, sovereignty and international economic relations. That it is the reason why Keohane (1986a: 183) has preferred to describe them as »sensible realists«.

1.2. Realism and the international mobility of capital and labour

It has to be noted that the realist perspective holds on the basic assumption that the state has retained its importance despite the increased debate over the loss of power within the process of globalisation (e.g. see Gilpin 1987, 2000, 2001; Krasner 1985, 1999). It is explicitly noted that »national policies and domestic economies are the principal determinants of economic affairs« and that one of the main aims of the state is »to manipulate and influence the market to benefit their own citizens (or at least some of their citizens) and to promote the national interests of that country« (Gilpin 2001: 3, 129). Thus, the state remains the main unit of analysis and its aim is principally to promote the national interest and to maximise its power (Gilpin 2000; Krasner 1985). These basic theoretical assumptions are principally reflecting the theoretical argumentation in the early work of Waltz (1979: 139-141). Even though it is admitted that the »regulation and monitoring of transborder flows have always been problematic« (Krasner 1999: 223) and that the »importance of nonstate actors and the extent of transnational activities are obvious« (Waltz 1979: 94) it is nonetheless insisted that the state remains the basic unit of analysis, not only regarding power relations within international relations, but also within international economic relations.[53]

Regarding the approach of international mobility of capital and labour within the realist framework, there are three important points to be made. First, the lack of analysing state policies towards the international mobility of both capital and labour together is also evident in the theoretical works of realism/neorealism. In his work on sovereignty Krasner (1999: 9-25) comes close to approaching the role of the state regarding different forms of international mobility as he differentiates between different forms of sovereignty. Thus, Krasner (1999: 4) mentions »interdependence sovereignty«, referring »to the ability of public authorities to regulate the flow of information, ideas, goods, people, pollutants, or capital across the borders of their state« (see also Krasner 2004: 70-73).[54]

51 For a critique of drawing a direct line from List's work to realist theory without problematising important differences between both theoretical frameworks see Watson (2011: 34-35).

52 Gilpin (2001: 4), for example, explicitly notes that he consciously adopts a »realist or state-centric approach to analysis of the international economy. Differing from many contemporary writings on the global economy, I believe that the nation-state remains the dominant actor in both domestic and international economic affairs.« In one of his studies, Krasner (1985: 28) too explicitly states that he adopts »a realist, or structural, approach to international relations. I regard states as the basic actors in the international system.«

53 This has been most assertively emphasised by Waltz (1999: 698; emphasis in original) by noting that »National politics, not international markets account for many international economic developments«. Waltz (1999: 700) further argues that this the case even at the EU and NAFTA in which states play a central role so that even in these particular cases »Politics, as usual, prevails over economics.«

54 Other forms of sovereignty he mentions are the international legal sovereignty referring to »the practices associated with mutual recognition, usually between territorial entities that have formal juridical independence«; the Westphalian sovereignty, referring »to political organization based on the exclusion of

But importantly, he notes that »Interdependence sovereignty is exclusively concerned with control and not authority, with the capacity of a state to regulate movements across its borders« (Krasner 1999: 4), and that he consequently will not deal with this aspect of sovereignty and instead focus on the »Westphalian sovereignty«. Second, the realist perspective argues that capital flows, as well as the international mobility of labour, have to be considered in an historical comparison to the 19th century as still very low, and that additionally the state has very much retained its importance as the primary unit of analysis (e.g. see Gilpin 2001: 291; Krasner 1994: 13; Krasner 1999: 13, 220-223; Krasner 2004: 66-67; Waltz 1979: 140, Waltz 1999: 693). Third, it is evident within the realist framework of analysis that the international mobility of capital has gained much more academic interest than the international mobility of labour.

1.2.1. TNCs, the regulation of FDI and the national interest

In fact, the realist perspective has quite often dealt with capital and its international mobility. The works of Robert Gilpin and Stephen Krasner, for example, extensively look at international trade, the international monetary system, the international financial system and the role of TNCs within the global political economy, as well as the role of the state (Gilpin 2000: 88-192; Gilpin 2001: 196-304; Krasner 1985: 176-195). Gilpin (2001: 278) identifies a TNC[55] which is the main actor regarding FDI as »a firm of a particular nationality with partially or wholly owned subsidiaries within at least one other national economy«, and thus emphasises the national dimension of TNCs. More directly, he notes that these corporations »are simply national firms with foreign operations and that, with few exceptions, these firms remain deeply embedded in their national societies. Their boards of directors and corporate management are composed predominantly of nationals, and corporate leaders are responsible to stock-holders or stakeholders who are also overwhelmingly nationals« (Gilpin 2001: 299). Moreover, he further argues that the firm bases as well as strategic units such as research and development of most TNCs are usually headquartered in the home country of TNCs (Gilpin 2001: 299).

This reflects the argument of Waltz (1999: 696) that »the famous footloose corporations in fact turn out to be firmly anchored in their home bases« (see also Waltz 1979: 151). Krasner (1985) notes that beyond these considerations, the national regulation is central to the operations of TNCs (and FDIs), and Gilpin (2001: 299) adds that »every government in one way or another promotes the interests of its own national firms.« The possible promotion of state-owned companies, state policies and regulations regarding the establishment of affiliates, the principle of national treatment, the exclusion of certain economic sectors, the repatriation of profits and the employment of nationals are all considered as areas of great importance to TNCs and FDI and subject to state action (Krasner 1985: 176-188).

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external actors from authority structures within a given territory«, and domestic sovereignty referring »to the formal organization of political authority within the state and the ability of public authorities to exercise effective control within the borders of their own polity«.

55 Gilpin prefers to use the term multinational corporation (MNC). Waltz (1979: 151), however, notes that the term »multinational« is a misnaming as these corporations »are nationally based firms that operate abroad. […] When the point is made that multinational corporations make their decisions on a global basis, one gets the impression that nations no longer matter. But that is grossly misleading.«

In one of his earlier works Gilpin (1975) has analysed US FDI from a realist perspective. He has principally argued that US TNCs have to be regarded as tools for sustaining and expanding US hegemony and that US investments abroad are basically aimed at enhancing foreign policy objectives by ensuring a US share at the world market, sustaining the control over the access to vital raw materials, notably petroleum, and spreading American economic and political values. But Gilpin (1975: 198, 206) has also warned that increased US FDI abroad could also turn out to be dangerous, as through FDI the US »is exporting or trading away its comparative advantages (technology, technical know-how, and management) and potential productivity gains in exchange for future foreign earnings«, which in turn makes it, according to him, necessary to adopt »a national industrial strategy which [emphasises] increased domestic competition and the development of new technologies and industrial processes rather than defensive investment abroad«.

Whereas this earlier work almost exclusively focused on outward investments of US TNCs, and dates from a period when FDI did not reveal an important increase, later on Gilpin (2000, 2001) has started to acknowledge that there was indeed an increase in FDI since the 1980s that cannot be simply ignored. However, he was quick to relativise this by noting that »FDI is actually highly concentrated and is distributed unevenly around the world. Although FDI has grown rapidly in developing countries, most FDI has been placed in the United States and Europe, while only a small percentage of U.S. foreign direct investment has gone to developing countries« (Gilpin 2000: 24; see also p. 169-170 and Gilpin 2001: 289).

The decision of states to attract FDI, which has become a feature of the period following the 1980s, is seen as a rational calculation in order for states to have access to the benefits of FDI for their economies. This rational attempt of states »to extract maximum benefits from foreign corporations« (Gilpin 2000: 173) takes place within a context where both »the MNC and the host government […] seeks to extract maximum concessions from the other« whereby the corporation:

> »is in the stronger position prior to an investment and at that time can extract maximum concessions from the economy in which it is considering investing. However, once the investment is actually in place, bargaining power shifts toward the host economy. The obsolescing bargain pattern was most relevant when FDI was concentrated in resource extraction, and it has become less relevant now that FDI is concentrated in manufacturing. A manufacturing firm usually retains much greater freedom of action than does a resource-extracting firm« (Gilpin 2000: 173-174).

It is within this circumscribed framework that there also exists a range of state-induced limits to FDI. Gilpin (2000: 185-186) points to the states in Asia, especially Japan, where:

> »governments have restricted FDI in certain sectors, at least until their own firms have become strong enough to withstand the competition of established foreign firms. Available evidence strongly suggests that Japan, other Asian economies, and most developing economies have, in fact, continued to pursue national economic strategies that prevent foreign firms from investing in those industrial sectors judged by the government to be of national importance. The same countries also resist an international investment code, because they fear that it would lead to outside interference in their economic development and industrial policies.«

In brief, an initial set of realist arguments could be described as: first, that the asserted increase in the international mobility of capital is not as new as has been widely emphasised; second, that the international mobility of capital as FDI is primarily concentrated in certain locations, especially Europe and the US; and third, that the state is still a central actor, as

»the flows of capital and commodities into and out of the economy are regulated through and subject to laws, policies and state interventions in the economy« (Gilpin 2001: 129; see also Krasner 2004: 70-73). This constitutes the basis of the more specific assumption that the entry, operation and exit of FDI as well as the rights granted to or withheld from foreign investors takes place in the context of rationally acting states that regulate these flows based upon considerations related to national interests and national security.

1.2.2. International migration as a matter of national interest and national security

In contrast to the interest for FDI, questions related to labour and its international mobility gained relatively less attention within theoretical works of realism/neorealism. This is somehow interesting as Gilpin (2001: 204) acknowledges the increase in the international mobility of labour in form of labour migration. He even notes that he finds »it remarkable that in the debate over globalization, little attention has been given to the most important factor of production; namely, labor and labor migration« (Gilpin 2001: 366). Yet, Gilpin himself gives only little attention to issues of labour and international labour migration (e.g. Gilpin 2000: 104-106, 295; Gilpin 2001: 365-366). The most frequent way international labour migration is approached is the assertion that »labor globalization« was much freer and greater in volumes prior to World War I, but that this trend has started to cease with the outbreak of World War II and that »it has never really recovered« (Gilpin 2000: 295). The same argument is also put forward by Krasner (1999: 223), who notes that »global flows are not new. In some areas, such as migration, movements were higher in the nineteenth century than a hundred years later. Transnational activities have challenged state control in some areas, but these challenges are not manifestly more problematic than in the past.«

It is from this backdrop that the main (unelaborated) assumption of the realist perspective regarding the international mobility of labour is that states have to be considered as the main actors regarding this mobility, which is succinctly put forward by Giplin (2000: 295) in the following statement: »Try telling a Mexican or North African low-skilled laborer that we now live in a global economy in which national boundaries have ceased to be important!« The role of the state in the migration processes is limited to the proposition that a state's aim is to restrict migration in order »to protect the real wages and social welfare of the nation's citizens« (Gilpin 2001: 366). Based on the proposition that migration flows are not as high as in the 19th century, and that states have control over migration processes principally aimed to restrict migration, it is not surprising that Gilpin (2001: 366) comes to the conclusion that »In the early twenty-first century, labor migration is no longer a major feature of the world economy, and even within the European Union, migration from one member nation to another is relatively low« (Gilpin 2001: 366; see also Gilpin 2000: 295). That this stands in a sharp contrast to his statement that »little attention has been given to the most important factor of production; namely, labor and labor migration« (Gilpin, 2001: 366) seems not to pose a real problem to him.

There emerged, however, a range of studies approaching international migration from a realist perspective. Indeed, a scholar from the realist perspective, Myron Weiner (1985), was one of the first to point to the lack of approaching international migration within the field of IR. However, one of the main characteristics of the realist perspective on international migration is the strong focus on the link between international migration, foreign policy and national security (e.g. Franzblau 1997; Papademetriou and Miller 1983; Rudolph 2003; Teitelbaum 1984; Weiner 1992). This is most aggressively illustrated by Franzblau (1997: 1-2) who, in the case of the US, notes:

> »that the primary interest of the United States is its national security and that the ultimate goal of U.S. foreign policy is to promote U.S. national security« whereby »The survival of the state is the necessary element of national interest and the minimum requirements of the national interest are the integrity of the nation's territory, its political institutions, and its culture«; thus, »immigration can be a threat to traditional ideas of national security even if one concludes it has not yet posed such a threat to the United States.«

Although Weiner (1992) takes a more nuanced position and considers also different contexts and factors important regarding international migration and considers his work as complementing economic explanations, he nonetheless also has a strong focus on security when dealing with migration issues. Thus, he explicitly speaks of »the need for a security/stability framework for the study of international migration that focuses on state policies toward emigration and immigration as shaped by concerns over internal stability and international security« (Weiner 1992: 94-95). Another scholar from a realist perspective similarly asserts that state policies towards international migration emerge as a response to their security interests, but adds that economic interests play an equally important role, as states may see international labour migration as a means to maximize their economic gains (Rudolph 2003).

One often encountered topic within the realist perspective focusing on national interest and national security is that migrants are perceived as a threat by states. One of the most offensive arguments in this regard is put forward by Huntington (2004) who sees the large presence of Hispanics as a threat to American culture.[56] Weiner (1992: 103) too notes that migrants can be perceived by states as a threat: »The threat can be an attack by armed refugees; migrants can be a threat to either country's political stability; or migrants can be perceived as a threat to the major societal values of the receiving country.«[57] It has to be noted within this context that as a consequence of increased undocumented migration since the 1990s and the 9/11 attacks, the linking of migration and security issues have become widespread, not only in the public but also in academic field (see on this Adamson 2006; Doty 1998; Meyers 2000) and that, according to Guild (2009: 2), »There is a clear correlation between the state-centric approach in migration studies and with that of mainstream security studies«, as security studies also reveal a strong influence by realists and neorealists.

In brief, an initial set of realist arguments could be described as: first, that states remain

56 For a discussion on the similarities of the perception of Spanish and Muslim migrants as a cultural threat in the US and Europe, respectively see Zolberg and Woon (1999).

57 Weiner (1992: 105-106) differentiates between five dimensions of perceiving migrants as a threat: »The first is when refugees and migrants are regarded as a threat – or at least a thorn – in relations between sending and receiving countries, a situation that arises when refugees and migrants are opposed to the regime of their home country. The second is when migrants or refugees are perceived as a political threat or security risk to the regime of the host country. The third is when immigrants are seen as a cultural threat or, fourth, as a social and economic problem for the host society. And the fifth [...] is when the host society uses immigrants as an instrument of threat against the country of origin.«

the main units of analysis; and second, that states behave rationally based upon considerations related to national interest and national security. This constitutes the basis of the more specific assumption that the entry, work, stay and exit of migrants as well as the rights granted to or withheld from them takes place in the context of rationally acting states regulating these flows based on considerations related to national interests and national security. Thus, whether states will allow the entry of migrants:

> »will depend largely on the interests of the recipient state(s). [...] [S]ecurity, political or economic considerations will dictate whether individuals are allowed access to a country. When a state has a requirement for economic migrants, a realist would certainly advocate the opening of borders to appropriately qualified individuals. Similarly, if there were good political reasons for allowing entry, such as the admittance of Eastern European émigrés to the U.S. during the Cold War, then a realist would accept this« (Parker and Brassett 2005: 238).[58]

1.3. Realism and the Middle East

It is also from the backdrop of the general ontological assumptions of the realist perspective discussed above that Raymond Hinnebusch (2003: 1), one of the most known scholars working on IR in the Middle East, has asserted that this perspective's »a-historical tendency to assume states system to be unchanging, made up of cohesive rational actors, and everywhere the chief determining factor in shaping state behaviour is quite inadequate to understand the Middle East.«[59] If the Middle East is approached at all then it is most commonly done in two ways.

First, the Middle East is approached as a case to test theoretical propositions (Gause 1999: 13). Stephen Walt, for instance, uses the Middle East as a case to find out whether states in the region are more likely to balance against or bandwagon with threatening states, and »identifies anarchy and multipolarity as the key systemic forces driving alliance behaviour in the Middle East« (Gause 1999: 17). This is also consistent with one of Krasner's (1985) studies on the Third World and the demands for a New International Economic Order (NIEO) and the challenges this has posed to West, including the actions of OPEC. He contends in this context that the behaviour of all states, including Third world states »is determined by their relative power capabilities. […] The countries of the South are not purveyors of some new and superior morality, nor are their policies any less reasonable than those of the industrialized world. They are behaving the way states have always behaved; they are trying to maximize their power« (Krasner 1985: 12).

Second, the region is also commonly approached in the context its oil reserves. Krasner (1992: 44), for instance, notes that contrary to many other regions of the non-West the

58 Meyers (2000: 1264-1265) too notes that within the realist framework »States pursue their national interests when they restrict labor migration and permanent immigration during recessions, accept labor migration during economic up-turns, give preference to immigration of the highly-skilled and of investors, and encourage immigration in an attempt to overcome demographic inferiority vis-a-vis potential enemies.«

59 For the case of the US Krasner (1992: 44) has explicitly noted that »Most areas of the Third World are, from a realist perspective, of little interest to the United States.« According to Cohn (2010: 68) this neglect of the non-West could thereby be traced back to some historical works considered as the main basis of realist thinking and refers to Friedrich List who »believed that the United States and Germany should adopt protectionist policies to develop their manufacturing industries so they could compete with Britain, but [...] ruled out industrialization for the South. Northern states were ›specially fitted by nature for manufacturing‹, in List's view, whereas Southern states should provide the North with ›colonial produce in exchange for manufactured goods.‹«

Middle East is of relevance because of oil. But especially, the oil crisis of the early 1970s indicates a case through which the region is approached (e.g. see Gilpin 2000: 71-72; Gilpin 2001: 58-60). Earlier works by Krasner (1973, 1974, 1979) in particular have paid close attention to oil and its effects on the West, especially on the US. In his work on the American oil policy towards the Middle East Krasner (1979) has noted that the aim of American policy is not that much concerned with securing the supply of oil but »preserving conservative noncommunist regimes in oil exporting countries«, and remarked that:

> »A crisis leading to a shutdown in Saudi Arabia would not only deprive the West of oil, but would deprive the royal treasury of income. Under such circumstances Saud's regime might crumble, or he might feel compelled to look elsewhere for revenues. In either case an uncontrollable chain of events, culminating in greater communist influence, could ensue« (Krasner, 1979: 86).

Therefore, American oil policy towards the Middle East is assumed to have »equated economic deprivation with political unrest, political unrest with communism, and communism with Soviet influence« (Krasner 1979: 87). One has to keep in mind that at the time Krasner has been writing this (the 1970s) the region of the Middle East, including the Gulf States, witnessed an increasing influence of leftist, secularist and nationalist movements. This is the reason why Krasner (1973: 132) noted that »For American decision-makers, Mohammed is better than Marx. [...] The possibility of political turmoil leading to the establishment of a Communist regime cannot be ignored.«[60]

1.4. Relevance and criticism

A close elaboration of the ontological and epistemological base of the realist/neorealist perspective reveals a range of serious gaps that are of importance for the research question. First, regarding the fact that the aim of this study is to analyse state policies towards the international mobility of capital and labour, the realist assertion that the *state* has to be taken as the primary unit of analysis seems at a first sight to be suitable for pursuing an explanation. It has also been explicitly noted that states play a central role for economic activity, not only because states »turn possession into property and thus make saving, production, and prosperity possible« (Waltz 1999: 697), but also because »Multinational corporations depend on property rights guaranteed by states« (Krasner 1992: 39), and because states are strongly involved in the regulation of FDI. This proposition is, however, negated by explicitly ruling out a closer look at *policies* because »by looking inside states [...] we are forced back to the descriptive level« (Waltz 1979: 65).

It is indeed observable that the more »sensible realists« point to the importance of economic policies and the different social forces involved or affected. Krasner (2004: 69),

60 The importance of the monarchies in the region for stability is also mentioned in the 2000s, this time, however, with reference to the increased influence of Islamists in the region. For instance, Fareed Zakaria, a publicly known commentator often associated with realism, has noted with reference to increased influence of Islamist movements in the region: »The Arab rulers of the Middle East are autocratic, corrupt, and heavy-handed. But they are still more liberal, tolerant, and pluralistic than those [Islamists] who would likely replace them« (Zakaria 2004: 2). He also proposes a process of modernization as the only possible path to change and notes that »A genuinely entrepreneurial business class would be the single important force for change in the Middle East« and that »Moving toward capitalism [...] is the surest path to creating a limited, accountable state and a genuine middle class« (Zakaria 2004: 17, 16).

for example, notes that state preferences »may, of course, be driven by different societal interests«; or that domestic attributes such as ideology and state-society relations affect state actions (Krasner 1985: 28). But this does not have any consequences regarding the assumption that states as the primary units of analysis are unitary actors (Cohn 2010: 56). Overall, the realist perspective's contention that »states are the ontological givens in the system« (Krasner 1994: 18) indicates that it remains to be »bound to the state« (Ashley 1984: 238; see also Cohen 2014: 15), which principally results in neglecting other units of analysis.

Second, and deriving from this basic ontological assumption, the state is not approached critically, for the realist perspective is basically characterised by the fact that »the state must be treated as an unproblematic unity: an entity whose existence, boundaries, identifying structures, constituencies, legitimations, interests, and capacities to make self-regarding decisions can be treated as given, independent of transnational class and human interests, and undisputed« (Ashley 1984: 238). Thus, because of the conceptualisation of the state as an unproblematic unitary actor »realists devote little attention to the internal structures of societies and to partisan politics. The history, social structure, and cultural values of a state are of little interest to realists« (Cohn 2010: 69). It is, however, important to look at involved social forces and historical developments to provide an explanation for state policies.

Third, according to the realist perspective states are rational actors »that seek to maximize the benefits and minimize the costs of pursuing their objectives« (Cohn 2010: 56). It is principally assumed that states »have consistent, ordered preferences, and that they calculate the costs and benefits of all alternative policies in order to maximize their utility« (Keohane 1986b: 11).[61] Most prominently, it has been argued that states act based upon their national interests, whereby the economy is subsumed under the national interests within international power politics where states compete for market shares and are often involved in (zero-sum) conflicts (see on this also Dunn 2009: 37-42; Bieling 2011: 29-33). One problem here is, however, that states – »which are manifestly not rational individuals« – and their behaviour »can, at least in principle, be shaped decisively by domestic social relations« (Dunn 2009: 40). Another problem is that it is not really identified what national interest is, or more precisely, it is not asked »what is the form of power that underlies the state and produces this particular understanding of national interest« and it is not explained whether and how »it is possible to distinguish a national interest from the welter of particular interests« (Cox 1986: 247). Thus, the overall assumption that sates as the primary units of analysis which have to be considered as unitary actors behaving based on rational cost-benefit calculations and in accordance with their national interests principally rules out a thorough analysis of social forces involved or affected by state policies.[62]

Fourth, and beyond these considerations, it has to be mentioned that the realist perspective adopts a »hard science model« based on the principles of positivism and empiricism (Cohen 2014: 27-30). This is explicitly mentioned by Krasner noting that »International political economy is deeply embedded in the standard methodology of the

61 Therefore, the realist perspective explicitly illustrates »its conscious embrace of rational choice theory« (Watson 2011: 32).

62 Dunn (2009: 40) notes that »The state centrism [...] means that other, potentially transnational agencies of class or even ›humankind‹, become invisible.«

social sciences which, stripped to its bare bones, simply means stating a proposition and testing it against external evidence« (cited in Cohen 2014: 27). This methodological approach is for the most part »borrowed from neoclassical economics, which in turn got it from the physical sciences« (Cohen 2014: 28-29). This results in an analysis which »is increasingly detached from real-world institutions and events, becoming more a branch of applied mathematics than true *social* science« and in which »Holistic thinking about the system as a whole is rare« (Cohen 2014: 33; emphasis in original). One of the implications of this methodological approach is that the realist perspective has been characterised by the adaptation of an »ahistorical, essentialist epistemology« (Bieler 2001: 1104). Thus, it has been often noted that within the realist theoretical framework »a dimension of change is missing« (Ruggie 1986: 142) and that it accordingly »is particularly weak in accounting for change, especially where the sources of that change lie in the world political economy or in the domestic structures of states« (Keohane 1986a: 159).[63] Moreover, it could be argued that this »ahistorical world-view […] [is] evident in realism's transhistoricization of states as ever-present elements of world order« (Sinclair 1996: 7).[64]

More broadly, the realist perspective is principally also uncritical of the global economy. Thus, although the realist perspective differs from the neoliberal institutionalist perspective in many aspects it nonetheless shares the normative standpoint of it. Gilpin (2001: 14), for instance, notes that his approach is analytically state-centric, but that his »normative commitment is to economic liberalism; that is, to free trade and minimal barriers to the flow of goods, services, and capital across national boundaries, although, under certain restricted circumstances, nationalist policies such as trade protection and industrial policy may be justified.« It is also from this backdrop that the capitalist global economy, the role of FDI and the related state policies are not critically approached. This is again illustrated by the statement that »Although some MNCs do exploit and damage the world, the MNC as an institution is beneficial to many people worldwide; it is, for example, a major source of capital and technology for economic development« (Gilpin 2001: 191; see also Gilpin 2000: 171-172). Additionally, it is assumed that »Consumers and the overall economy in less developed countries also benefit from FDI, and so do workers« (Gilpin 2001: 303).

There are more specific indications of these ontological and epistemological assumptions of the realist perspective regarding state policies towards the international mobility of capital and labour. On the one hand the realist perspective indeed recognises that transnational flows pose a problem to states. On the other hand, however, it has been

63 Cox (1986: 243) notes that despite his intensive engagement with the structural aspects of international politics the theory of Waltz (1979) nonetheless is characterised by »the inability [...] to account for or to explain structural transformation.«

64 Ashley (1984) notes that through this ahistorical view the theory even falls behind classical realism and refers in this context to Hans Morgenthau who has written in the 1960s that »What characterizes contemporary theories of international relations is the attempt to use the tools of modern economic analysis in a modified form in order to understand international relations ... In such a theoretical scheme, nations confront each other not as living historic entities with all their complexities but as rational abstractions, after the model of ›economic man‹« and that »This theorizing is abstract in the extreme and totally unhistoric« (cited in Ashley 1984: 279). A similar point is also made by Cox (2011: 122) who, referring to Edward H. Carr, notes that »Carr is often just classified as a ›realist‹ in the narrow sense of someone who reduces everything to state power and interests. He looked at state politics but also at the economic changes and the transformation of societies which explain state politics and the reflection of all that in people's minds.«

explicitly stated that the state nonetheless has to be regarded as the primary unit of analysis and that the state acts as a rational unitary actor based upon considerations related to national interests. This is, first, principally ruling out a thorough analysis of state-society complexes and the role of different social forces that are important for the analysis of state policies towards FDI.[65] Second, it does also not allow considering different levels of analysis to be considered at analysing state policies towards FDI. Another main problem which the realist perspective reveals is that its strong emphasis that FDI is heavily concentrated in Europe and the US could easily result in ignoring the increase of FDI in other parts of the world and abandoning the search for answers towards the explanation of state policies regarding these flows.

Regarding state policies towards international (labour) migration it is basically argued that the asserted increase of the international mobility of people is largely exaggerated. Moreover, states are considered to be the main actors regarding international migration. As has been illustrated, studies engaging in migration issues from a realist perspective have explicitly favoured the approach of migration with reference to national interests and national security considerations.[66] Just as is the case at state policies towards FDI, the realist perspective on international migration does not allow us to consider state-society complexes and the role of different social forces and to incorporate different levels of analysis into the research. Therefore, the realist perspective as a rather »raw approach« (Guild 2009: 3) of migration »has contributed only marginally to the study of immigration policy« (Meyers 2000: 1265) and has, despite its strong focus on the state, overlooked the »need to look within the state« (Betts 2011a: 21). Additionally, one has to add that within the realist perspective international migration is almost exclusively associated with a movement from »poorer countries« to the »advanced industrial countries« where migrants »take jobs away« from local workers (Gilpin 2001: 204). South-South migration has not really been a concern for the realist perspective.[67]

Finally, regarding the approach of the Middle East it has to be noted that there are several implications of how the region has been approached by the realist perspective. First, the region has often been used as a case to test theoretical propositions without paying close attention to historical developments and state-society complexes in the region.[68] Second, the region has often been reduced to oil, whereby the effects of oil on

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65 On one occasion Krasner (2004: 67) has indicated the role of social forces rather straightforwardly and noted that political leaders »have encouraged international openness because it has enhanced the well-being of their constituents. If these constituents find themselves threatened by imports or immigrants, they will pressure their leaders to adopt policies that discourage the movement of goods and people.« With the discussion and definition of state policies in the introductory part in mind it could be however countered that it is not really disclosed which »constituents« he means, whether and in what way their interests may differ, how exactly they are pressuring for policy changes and whether these changes indeed take place.

66 Lavenex (2001: 26) notes that realism, as it strongly focuses on state sovereignty and border controls, also fails to consider the distinction between different forms of migration: »illegal immigrants, asylum seekers and refugees are equal in the sense that they are third-country nationals whose entry into the state's territory must be controlled for the sake of internal security and stability.«

67 The most notable exception is the work of Weiner (1992) pointing to the importance of South-South migration. It is also Weiner (1982) who has to be considered as one of the first scholars to have paid close attention to migration to the Gulf region.

68 It has, however, to be noted that in one of his earlier works Krasner (1973) has foreshadowed a certain way of approaching state-society relations in the oil exporting countries of the region, namely within the framework of the rentier state theory. Krasner (1973: 131-132) has noted: »The existence of large foreign

the West and especially on the US have gained the most attention.[69] Third, the vitally important links between the region and the global economy did not gain much interest. The role of oil revenues for the global (or US) financial economy, especially that the increase of oil prices in the 1970s led to balance of payments deficits in developing countries and that the oil revenues were recycled through loans by large international banks, is mentioned by Gilpin (2001: 313) and Krasner (1979: 86). But a thorough analysis of the links between these revenues and the global financial system is not really pursued. Fourth, most of the realist approaches of the Middle East have been focused on security issues, balancing, and bandwagoning (Lawson 2013: 21-24). Fifth, the realist framework is characterised by a strong Eurocentric view: (i) the consideration of the region ›just‹ as a case indicates the reluctance to approach the region in a historical sense incorporating state-society relations; (ii) the region is almost exclusively approached in terms of its importance for the West; (iii) the non-West more generally is seen as characterised by »a manifestation of traditional social norms, and political underdevelopment« (Krasner 1981: 137), and the oil exporting countries of the Middle East as »politically underdeveloped« and as lacking »institutional development« (Krasner 1973: 131-132) without seriously engaging with the important question regarding the dominant role Western powers (especially Great Britain and the US) have played in the region.

2. Neoliberal institutionalism, interdependence and non-state actors

2.1. Historical background and theoretical propositions

The neoliberal institutionalist perspective has been another prominent theoretical perspective within the field of IPE. It does not deny the realist assumption that there is no central authority at the international level. Importantly, however, it is argued that cooperation, especially within international institutions, is nonetheless possible even under conditions of anarchy. Thus, in one of his most known works Keohane (1984) argues against the realist proposition that cooperation is only possible under the lead of a hegemonic power. He argues that non-hegemonic cooperation is possible and can be facilitated by international institutions and regimes. One of the most important reasons for cooperation is seen as interdependence, which makes cooperation necessary. In this sense, Nye and Keohane (1971a: 348) have early on stated that »It is clear that most if not all governments will find it very difficult to cope alone with many aspects of transnational relations in the decade of the 1970s and thereafter.« Already in the early 1970s Keohane and Nye (1987) introduced the concept of »complex interdependence«, which »refers to a situation among a number of countries in which multiple channels of contact connect

exchange reserves has been pointed to as a temptation for revolt rather than a source of stability. This is a peculiar argument, for it ignores the use to which politically underdeveloped regimes can put liquid funds. Without institutional development or a strong sense of national identity, material resources are a particularly effective instrument for generating support for the regime [...]. Businessman are given contracts, university graduates bureaucratic positions, and religious leaders public subventions. Material rewards have been used as a substitute for political participation.«

69 One has to add that apart from oil, questions surrounding Islamist movements and attacks carried out by these movements also started to gain more interest, especially following the 9/11 attacks. See, for instance, Krasner (2005) who deals with terrorism originating from the region and what a possible »megaterrorism« would mean for world politics.

societies (that is, states do not monopolize these contacts); there is no hierarchy of issues; and military force is not used by governments towards one another« (Keohane and Nye 1987: 731; see also Keohane and Nye 2000a: 115). The broad background by deploying the concept of »complex interdependence« was that the world has become characterised by »multidimensional economic, social and ecological interdependence so that power and security have become to be of less concern, because economic interdependence makes states dependent on each other regarding economic growth, full employment and price stability« (Keohane and Nye 1987).[70]

International institutions are seen as important at enabling cooperation at the international level (e.g. Aggarwal and Dupont 2011). According to Keohane (1984: 85-109) international institutions and regimes not only enable problem solving within the context of interdependence but also reduce uncertainty and the costs of transactions by curing information asymmetries. He further argues that:

> »they authorize certain types of bargaining for certain purposes. Their most important function is to facilitate negotiations leading to mutually beneficial agreements among governments. Regimes also affect incentives for compliance by linking issues together and by being linked together themselves. Behavior on one set of questions necessarily affects others' actions with regard to other matters« (Keohane 1984: 107; *cf.* Cohen 2014: 21-22; Gillgan 2001).[71]

But it is not only the prospect of possible cooperation under conditions of anarchy and the positive effects ascribed to international institutions that make the neoliberal institutionalist perspective ontologically different from the realist one. It is also the emphasis that within the context of interdependence the meaning of sovereignty changes, as states no longer can be regarded as the sole important actors. Already in the early 1970s Nye and Keohane (1971a, b) have pointed to the importance of actors other than the state for world politics and argued that »states are by no means the only actors in world politics« (Nye and Keohane 1971a: 330; see also Keohane and Nye 2000b). »Sovereignty«, it is argued, »no longer enables states to exert effective supremacy over what occurs within their territories: Decisions are made by firms on a global basis, and other states' policies have major impacts within one's own boundaries« (Keohane 2002a: 74; see also Keohane 2003a: 155). The importance of global actors is also illustrated by the increased numbers

70 Elsewhere Keohane and Nye (2000a: 117) note that the »vast expansion of transnational channels of contact, at multicontinental distances, generated by the media and a profusion of NGOs, has helped expand the [...] dimension of complex interdependence [...]. More and more issues are up for grabs internationally, including regulations and practices […] that were formerly regarded as the prerogatives of national governments.«

71 Keohane (1984: 26) notes that »International regimes alter the information available to governments and the opportunities open to them; commitments made to support such institutions can only be broken at a cost to reputation. International regimes therefore change the calculations of advantage that governments make.« Therefore, the neoliberal institutionalist perspective presupposes that »international relations need not be a zero-sum game, as many states feel secure enough to maximize their own gains regardless of what accrues to others. Mutual benefits arising out of cooperation are possible because states are not always preoccupied with relative gains« (Burchill 2005: 65). On some occasions it is even argued that international institutions could also enhance the quality of domestic democracy (Keohane, Macedo and Moravcsik 2009). This assumption is based on earlier arguments that »Domestic politics and decision-making […] and the workings of international institutions all play a role« (Keohane 1986b: 190) and as a result the national and international level should be seen as closely linked to each other (Keohane and Milner 1996a, b). It is thereby explicitly noted »that we can no longer understand politics within countries – what we still conventionally call ›domestic‹ politics – without comprehending the nature of the linkages between national economies and the world economy, and changes in such linkages« (Keohane and Milner 1996a: 3).

of NGOs considered to be »Truly global actors« (Keohane 2011: 41) which »now can raise their voice as never before« (Keohane and Nye 2000a: 117).

2.2. Neoliberal institutionalism and the international mobility of capital and labour

In contrast to the broad suspiciousness of the realist perspective regarding the increased international mobility of capital and labour the neoliberal institutionalist perspective argues that through interdependence and globalisation, referred to as »globalism«, international mobility has become a central part of the global economy.[72] Keohane and Nye (2000a: 105) argue that this has created a world where linkages have been established through flows and influences of capital and goods, information and ideas, and people and forces, as well as environmentally and biologically relevant substances. Already in the early 1970s Nye and Keohane (1971a: 332) pointed to the importance of »global interactions« which they distinguished through four major types: »1) communication, the movement of information, including the transmission of beliefs, ideas, and doctrines; 2) transporttation, the movement of physical objects, including war material and personal property as well as merchandise; 3) finance, the movement of money and instruments of credit; 4) travel, the movement of persons.«

It is from this backdrop – interdependence, globalisation and the increased international mobility of information, capital and people – that the capacities of states are considered to have been restrained (Keohane and Milner 1996a, b; Nye and Keohane 1971b; Rosenau 2005; Garret 1996). It is further asserted that »even if national states retain many of their present functions, effective governance of a partially – and increasingly – globalized world will require more extensive international institutions. Governance arrangements to promote cooperation and help resolve conflict must be developed if globalization is not to stall or go into reverse« (Keohane 2002b: 245).

2.2.1. Increased international mobility of capital, interdependence and the state

The international mobility of capital has gained far more interest than other forms of international mobility within the theoretical perspective of neoliberal institutionalism. Thus, the emphasis that there is an increase in the international mobility of capital is widely stated (e.g. Büthe and Milner 2008, 2014; Frieden and Rogowski 1996; Garret 1996; Keohane and Milner 1996a, b; Keohane and Nye 2000a; Milner 2014).[73] It is also widely

72 Keohane and Nye (2000a: 109) indeed note that on some aspects, especially regarding the integration of capital markets, the integration has been more advanced in the early twentieth century: »Economic globalism is nothing new. Indeed, the relative magnitude of cross-border investment in 1997 was not unprecedented. Capital markets were by some measures more integrated at the beginning than at the end of the 20th century.« Keohane (2002b: 245) makes a similar point by emphasising that globalisation »remains far from complete« so that it would be better to speak of a »partially globalized world.« Importantly, however, both authors note that the »Sheer magnitude, complexity and speed distinguish contemporary globalization from earlier periods« (Keohane and Nye 2000a: 111-112).

73 With capital markets in mind Keohane and Milner (1996a: 12) specify three factors creating »this revolution«: the deregulation of capital markets and finance by governments; the rapid growth of world trade and investment, which has generated huge financial flows; and technological innovation, making the movement of capital faster and cheaper. »These changes are mutually reinforcing: the growth of international investment has prompted governments to deregulate capital movements, which in turn has facilitated investment and technological change«.

assumed that the increased international mobility of capital puts constraints on states. Keohane and Milner (1996a: 23) note that »The key difference for governments today is that, unlike their predecessors in the period from 1945 to 1980, they confront unprecedented levels (and speeds) of capital mobility«. The fact that »Global capital flows of all types have expanded dramatically« and that »the movement of capital around the globe has grown even faster than that of trade« (Keohane and Milner 1996a: 11, 13) is seen as a development which has reduced the autonomy and efficiency of governments' macroeconomic policy choices (Garret 1996; Nye and Keohane 1971b). It is even argued that most economies »can only opt out of such a system by paying enormous costs. Like anarchy, exposure to the international capitalist economy has become a fact that individual states confront and can only ignore or seek to change by paying such high costs that no state can afford it« (Keohane and Milner 1996b: 257). In order to avoid these costs, »Governments may not only alter their policies to promote investment; they may even change their institutions to reassure investors and make their new policies credible« (Keohane and Milner 1996b: 250).

The background of changing state policies is that the internationally mobile capital has gained »greater opportunities for exit, and hence greater leverage over the government, than less-mobile firms or labor« (Keohane and Milner 1999b: 249). This is, then, considered to result in changing economic policies so that the liberalisation of foreign trade and investment policies, the deregulation of domestic markets, shifts in fiscal and monetary policies and changes in the related institutions become predominant (Keohane and Milner 1996a; Milner 2014). The basic argument that »foreign direct investment has become a more important component of almost all economies« (Keohane and Milner 1999a: 14) and that this has put constraint on states is, however, not taken as something normatively negative. Quite contrary, it is asserted that TNCs and FDI contribute to the economic development (especially in the non-West) as they provide external capital, new technologies and new ideas (Milner 2014).

In this sense, Nye and Keohane (1971b: 739) have early on argued that, although it means »a severe limitation on national autonomy [because the] transnationally mobile are rewarded at the expense of the nationally immobile«, the »creation of a global economy is rational [...] to achieve optimal allocation of global resources«. Therefore, the international mobility of capital is seen as a positive development, and the economic development through FDI is considered to be an attractive and potentially beneficial strategy (see on this point also Burchill 2005: 66; Cohn 2010: 79-80). Some scholars like Moravcsik (2008: 243-224) even argue that »Where [...] private trade and investment within complex and well-established transnational markets provide a less costly means of accumulating wealth and one that cannot be cost-effectively appro-priated – as is most strikingly the case within modern multinational investment and production networks – the expansion of economic opportunities will have a pacific effect.«[74]

In brief, an initial set of neoliberal institutionalist arguments could be described as: first, that the global economy has witnessed an increase in the international mobility of

74 Other authors have argued that trade liberalisation has also positive effects on the non-West. Milner and Kubota (2010), for instance, argue that trade liberalisation and democracy are linked so that a regime change towards democracy is associated with trade liberalisation.

capital since the 1970s, which then turned to be of great relevance to the global as well as national economies; second, that within the context of increased interdependence and especially the increased international mobility of capital, »global actors«, not only NGOs but importantly also TNCs, have emerged as important actors so that the state cannot be considered as the sole and primary unit of analysis; and third, that the increased relevance of TNCs and the international mobility of capital has put constraints on states and resulted in shifts in state sovereignty with decreased national autonomy. This broad background, then, builds the basis upon which it is more specifically argued that the entry, operation and exit of FDI, as well as the rights granted to or withheld from foreign investors, takes place within the context of increased interdependence and increased importance of internationally mobile capital resulting in state policies that are more favourable towards the international mobility of capital. This is, however, commonly considered to be a positive development, as it would allow for a more effective economic development and economic growth.

2.2.2. Neoliberal institutionalism and international migration

Regarding the question if and how the neoliberal institutionalist perspective looks at labour and the international mobility of labour, it seems that it even falls behind the realist perspective. Thus, labour does not really constitute a part of this theoretical perspective. The most prominent way of how labour has been mentioned is that increased internationallisation has weakened labour movements and trade unions and that within this process internationally mobile capital has gained more political power than labour (Garret 1996: 84-87; Keohane and Milner 1996a: 19-20). »Since capital«, note Keohane and Milner (1996b: 250), »will generally be more mobile than labor, this means that it should be advantaged by internationalization.«

The fate of international mobility of labour in the form of international labour migration is not much different. This is somehow curious, as the neoliberal institutionalist approach has a broad array of interests related to interdependence, transnational relations and transborder flows. For instance, Keohane and Nye (2000a: 106) note that social and cultural globalism »involves the movement of ideas, information, images, and people«; Rosenau (2005: 223) speaks of »the vast movements of people«; and Frieden and Rogowski (1996: 25) indicate that migration as a form of international flows has affected domestic politics. But in all these cases issues related to migration are not further elaborated.[75] The reasons for this exclusion have been principally justified with the argument that the international mobility of people and labour has still very low levels and is still subject to state control.[76]

75 In one of his articles in Newsweek, entitled »Open the Doors«, Moravcsik (2006) deals with the eastern enlargement of the European Union and the fears this has created regarding expected migration flows. Against increased fears he sees migration from eastern European countries as necessary and notes that the »Public may fear it but political leaders understand the demographic imperative: in the face of declining birth rates, their economic future depends on imported labor.«

76 Parker and Brassett (2005) illustrate that dominant liberal political theorists even justify the need for controlling and/or limiting the flows of people. For instance, despite the liberal standpoint of Michael Walzer that »new entrants should be granted the full social and political benefits of citizenship within the parameters of certain, but limited, naturalization criteria, such as an ability to speak the native language« (Parker and Brassett 2005: 240), he nonetheless is arguing for the right of the states to limit entry and writes that »At some level of political organisation, something like the sovereign state must take shape and claim

Keohane and Nye (2000a: 111) have, for instance, noted that »elements of social globalism that rely on the migration of people are highly constrained by distance and by legal jurisdictions, because travel remains costly for most people in the world, and governments everywhere seek to control and limit migration.« In an earlier study Keohane and Milner (1996a: n. 1, p. 259) have even argued that »Since labor moves much less readily across national borders than goods or capital, we have not considered migration as part of internationalization.«[77] At one point Keohane and Nye (2000b: 3, 12) even adopt the basic realist assumption that »Migration is a long-standing global phenomenon [which] is significant now, but not rarely important as it was in the nineteenth century.«

2.3. Neoliberal institutionalism and the Middle East

What has been noted on labour and the international mobility of labour – their considerable absence within the neoliberal institutionalist perspective – could also be said in the case of the question of if and how the region of the Middle East has been approached. Above all, the major works of the neo-liberal institutionalist perspective almost exclusively focus on the West. For instance, regarding their work on »complex interdependence« Keohane and Nye (2000a: 115) explicitly note that their concept of complex interdependence was introduced to refer to »pluralist democracies«, thus leaving out major geographical areas of the world. They write: »We used the concept of complex interdependence in the 1970s principally to describe emerging relationships among pluralist democracies. Manifestly it did not characterize relations between the United States and the Soviet Union, nor did it typify the politics of the Middle East, East Asia, Africa, or even parts of Latin America.« This is also the case regarding one of Keohane's (1984: 6) most known studies which exclusively focuses on »relations among the advanced market-economy countries«.

Richardson (2008: 227) too notes that the neoliberal institutionalist framework on cooperation favours the analysis of Western countries and that their view reflects the perspective of leading countries. He further adds also that the work on governance has been focused on Western countries: »There is no reference to non-Western perspectives on governance: for example, to the issue of greater representativeness, whether of states or of peoples« (Richardson 2008: 230). Keohane's (1984: 7) suggestion that his framework of analysis could also be extended to include North-South relations and that this »would be most welcome« is not followed up. Richardson (2008: 227) notes that such an extension »indeed [...] must have created difficulties for applying the framework, or have led to questioning its generality.« The fact of this considerable neglect has been therefore

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the authority to make its own admissions policy, to control and sometimes restrain the flow of immigrants« (cited in Parker and Brassett 2005: 240). According to Parker and Brassett (2005) John Rawls even opposes the right of free movement. They note that »In Rawls' ideal conditions the movement of people would be unnecessary, or certainly of less political importance. [...] Human freedom, equal opportunity, and the limitation of inequality are ideals associated with the broad tradition of liberalism. For Rawls, these ideals should, and can only, be aspired to in the context of bounded communities, implying the right of states or *peoples* to regulate their immigration policies as part of their ›mutual venture‹« (Parker and Brassett 2005: 241, 242; emphasis in original).

77 Although Keohane and Milner (1996: n. 1, p. 259) further note that »In some areas, such as parts of Europe and the southwestern part of the United States, this assumption is already problematic; and in future work, serious attention should be given to including migration in the analysis of internationalization«, research on migration largely remained absent within this perspective.

criticised by some authors who argue that »Liberal views of cooperation, order, and institution-building appeared of little relevance, except as thinly disguised attempts by strong powers to bring order and discipline to the weak« (Fawcett 2013b: 6).

It has, however, to be noted that the neglect of the non-West is explicitly acknowledged by Keohane (2011). But the reasons put forward for this neglect prove to be even more problematic than the neglect itself. Reflecting on his and other scholars' work, including that of Peter Gourevitch, Peter Katzenstein and Joseph Nye, from the early 1970s Keohane (2011: 40, emphasis in original) notes that »Our theories of IPE were constructed in a very different world: of ›developed‹ and ›developing‹ countries – the latter identified mostly by the fact that they were *not* developing. Indeed, for this reason perhaps, [...] [we] paid most of our attention to developed countries«. Keohane (2011: 40-41) further adds that:

> »It is perhaps less obvious that the assumption of political as well as economic hierarchy between rich and poor is also deeply embedded in the theories of asymmetrical interdependence that Nye and I, and others developed, and in realist or quasi-realist theories of American hegemony and western dominance such as those of Krasner. I expect that our implicit hegemonic assumptions will continue to hamper our vision until scholars from Brazil, India and China, and other emerging great powers, become more prominent in the field.«

What these remarks reveal is that within the neoliberal institutionalist perspective the non-West is written off from a Eurocentric point of view (Hobson 2012: 214-221). The statement that »developing countries« »were not developing« not only fails to ask – not to speak of identifying – which underlying historical, economic, social and political reasons for this situation may exist; such a view also implies that the fact of »not developing« is strongly aligned with a certain mode of development which has taken place in the West. Because countries from the non-West have not taken the same path, they are not developing, so goes the implicit argumentation. Thus, the West is prioritised. It is from this backdrop that Hobson (2012: 214) notes that:

> »In Keohane's theory the West is awarded the highest degree of agency, in terms of its ability to pioneer development (political and economic) as well as its progressive capacity to remake world politics along Western lines. In his discussion, moreover, the Third World is implicitly allocated ›conditional agency‹ and is depicted as a largely passive recipient of the largesse that is delivered courtesy of the key benign international institutions.«

Such a point of view rests upon the fact that the rise of the West and the rise of the Western state is not discussed due to the lack of an interest for the historical development of the international system. »Rather, it treats Western states as fully formed and then considers how they subsequently come together to create and reproduce the major international institutions through iterated cooperation« (Hobson 2012: 215-216). It basically neglects the importance of the non-West for the development of the West (Hobson 2004).[78] Therefore, the Eurocentric view observable within the framework of

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78 It should also be noted that Keohane (1984: 256) attributes international institutions a positive effect for the countries of the non-West: »The principles underlying the rules and practices of the IMF, GATT, or the IEA reflect the interests and ideologies of the most powerful states in the international system. The cooperation that the institutions themselves foster, however, probably works to mitigate some of the harsher inequities inherent in the principles. Exchange of information and personal contacts between northern and southern elites, and the creation of organizations such as the World Bank and sme of the

neoliberal institutionalist perspective is consistent with the overall liberal view, which is influenced by modernisation theory and argues that countries of the non-West should take the path of Western industrialised countries, e.g. enforce the protection of property rights and ensure the functioning of markets. These approaches view »the Western model as the only legitimate path to development« and see the adoption of liberal policies in form of free trade and free capital flows as a benefit for the non-West (Cohn 2010: 93).[79]

Another astonishing point to be mentioned is that although the absence of »developing countries« in their theoretical framework is considered »to hamper our vision«, the task and the responsibility of analysing or even incorporating these countries by the same authors is rejected and passed on to scholars from these countries who maybe will in some time »become more prominent in the field« so that they can exercise some influence regarding the research agenda within the field (Keohane 2011: 40-41).

It is, however, interesting to see that although Keohane (2011: 40-41) is sceptical about a *scientific involvement* regarding the analysis of the non-West, he is by no means critical regarding the *practical involvement* of the Western states within the context of humanitarian intervention (Keohane 2003b). Thus, he differentiates between »liberal democracies«, »good neighborhoods« and »troubled societies« and deals with the question of organising authority »after intervention«. For a humanitarian intervention in or near »good neighbourhoods« he notes that »the political consolidation of gains from humanitarian intervention will depend on institutions that limit and unbundle sovereignty. These institutions require outside involvement« (Keohane 2003b: 291). He further notes that sometimes »New causal beliefs may have to be taught: for instance, beliefs in the efficacy of the rule of law for attracting investment. [...] States from the good neighbourhoods [...] should teach liberal democratic norms, through their own behavior as well as through educational programs« (Koehane 2003b: 294).

In the case of »troubled societies« or »troubled regions« which are considered to be »unable to create well-ordered regimes«, and which are associated with the Balkans and Central Africa during the 1990s and much of the Middle East since 1948 (Keohane 2003b: 279), he proposes stricter measures:

> »At first«, he notes, »sovereignty may not be unbundled, but actually denied [...]. Then, *national sovereignty* could be reintroduced, in which the country gains international legal sovereignty [...] but domestic authority is in the hands of the United Nations or some other outside authority. As the

United Nations specialized agencies, which are charged with promoting development, may marginally divert resources from North to South and slightly limit the tendency of advanced industrialized countries toward selfishness and exploitation.«

79 See in this context the remark by Keohane (2002a: 75) that »Many countries of the former Soviet Union, much of the Middle East and Asia, and almost all of Africa do not have good prospects of becoming constitutional democracies in this generation. They have not built up social capital in the form of practices of cooperation, norms of participation, and institutions of civil society. Nor do many of them have characteristics that seem correlated with the recent ›third wave‹ of democratization, such as broad-based economic development, the prevalence of Christianity, proximity to democratic regions, and previous experience with attempts at democratization.« In an earlier text Keohane and Milner (1996b: 249) had noted that »countries with nondemocratic political systems can survive a long time even as internationalization proceeds. However, in the longer run [...] internationalization may affect the domestic politics of autarchic economies by imposing rising opportunity costs. As inefficiencies grow, public dissatisfaction may rise and the government's legitimacy may suffer.«

troubled society begins to recover, it will make sense to grant its new state institutions a little bit of sovereignty at a time« (Keohane 2003b: 296; emphasis in original).

What then would follow, according to Keohane (2003b: 297), would be granting »limited sovereignty« where more domestic governance – however, under the external authority with the possibility to override decisions – would be possible, followed, in a final step, by »integrated sovereignty« »in which domestic authority is controlled by nationals of the state.«

A similar pattern of argumentation is also observable in the writing of Andrew Moravcsik. In one of his articles he deals with the US occupation of Iraq and Afghanistan and writes that »Military responses to terrorism, while sometimes necessary, are insufficient« and that the Bush administration is representing »a Wilsonian sort of imperialism aimed at of democratising the Middle East, by force if necessary, and re-educating its populace« (Moravcsik 2004: 168, 169). However, this statement as a critique of the US policy towards the Middle East has been explicitly made from the backdrop of the conceptualisation of Europe as a »quiet superpower« representing an alternative to the unilateral actions of the US. Therefore, Moravcsik (2004: 171; emphasis added) indeed proposes nothing else than to »create the basis for steady Western cooperation to *manage* the Middle East.« The Middle East is rendered a mere object to foreign influence whereby economic policies, especially a liberal trade policy of Europe, is considered to be a better way of enhancing democratisation in the Middle East than military action by the US (Moravcsik 2004: 172-173). A similar way of approaching the region is also illustrated by Moravcsik's (2007) analysis of Libya as it was still ruled by the now toppled Kaddafi. In his article, he sees the strong dependence on oil as a problem and proposes to diversify the economy. He notes, however, that there are little »signs of entrepreneurial spirit« and that »the vested interests of the bureaucracy, the personal investments of the Kaddafi family, complex and onerous regulations and outright corruption have kept foreign investors away« (Moravcsik 2007). According to him, the Western states should support the neoliberal reform process Kaddafi had then initiated, as »The biggest boon Kaddafi could get in his reform project is help from the West« (Moravcsik 2007).

2.4. Relevance and criticism

The neoliberal institutionalist perspective provides a different ontological basis than that of the realist one. It principally argues that even under conditions of anarchy cooperation between states is possible; that interdependence emanating from different aspects of transnational relations, especially from economic relations makes cooperation necessary; and that international institutions and regimes are to be considered as important at enabling cooperation. Within the context of increased interdependence, it is further argued, there emerged a change in state sovereignty so that states cannot be considered as the sole important actors within the global political economy. Not only TNCs, but also NGOs that are increasingly transnationally active are considered to be important actors within the global political economy. The neoliberal institutionalist perspective provides a framework that would enable to consider different actors within the global political economy, so that the state is not prioritised and an analysis of state-society relations is possible. Moreover, the emphasis put upon increased interdependence and the related importance attributed to issues surrounding the international mobility of capital, people and information is important.

However, this ontological basis itself poses serious problems regarding the research question under consideration. First of all, it has to be noted that the neoliberal institutionalist perspective, like the realist one, is not critical of the global economy. Thus, Nye and Keohane (1971b: 739) have explicitly noted that »The creation of a single global economy is rational, perhaps, to achieve optimal allocation of global resources« (Nye and Keohane 1971b: 739). The global capitalist economy is taken as granted.[80] But as Burchill (2005: 71) notes »Critics such as Polanyi highlighted the extent to which material self-gain in a market society was necessary for survival in an unregulated market society, rather than a reflection of the human condition in its natural state.« Moreover, and with reference to the proposed advantages of limited state intervention in the economy, it has to be noted that:

> »State intervention in the economic life of a society was in fact an act of community self-defence against the destructive power of unfettered markets which, according to Polanyi, if left unregulated, threatened to annihilate society. However, state intervention in the economy was also necessary for markets to function – free trade, commercial exchanges and liberal markets have always been policies of the state and have not emerged organically or independently of it« (Burchill 2005: 71).[81]

Second, and linked to the specific question related to international mobility, it is evident that the neo-liberal institutionalist perspective, just like the realist one, has failed to approach state policies towards the international mobility of capital *and* labour. Thus, the often-mentioned importance of issues related to the international mobility is not approached in a consistent way as to provide an explanation for the related state policies. Instead, the neoliberal institutionalist perspective has showed an increased interest, especially for the international mobility of capital (mainly within the Western world, one has to add). However, beyond the fact that the international mobility of capital is primarily discussed with reference to the field of economics and their models (e.g. see Keohane and Milner 1999a: 16-18) it should also be noted that, although the increased international mobility of capital is assumed to have led to constraints in state capacities which would then make cooperation through international institutions and regimes necessary, it is obvious that the international mobility of capital including FDI is still not subject to a multilateral or international agreement. This poses a serious problem for the ontological basis of the neoliberal institutionalist perspective, as one of the »issue areas« most often associated with (economic) interdependence and which should make cooperation necessary is still primarily subject to the domain of the state. This is maybe also the reason why some neoliberal institutionalist scholars acknowledging this fact have turned their interest towards BITs that are not global, but bilateral (e.g. see Milner 2014).

Third, and in line with the uncritical stand towards the global economy, the international mobility of capital and FDI is principally taken as beneficial for countries and is assumed to contribute to economic development. For instance, in one of his works Keohane (2003a: 155, emphasis added) writes:

> »Under […] conditions of complex interdependence […] the meaning of sovereignty changes. Sovereignty no longer enables states to exert effective supremacy over what occurs within their

80 In this sense the neoliberal institutionalist perspective is similar to the realist one as »both realists and liberals generally accept capitalism as the most desirable system for conducting economic relations« (Cohn 2010: 69).

81 The uncritical stance towards the global economy is also the reason why Cohn (2010: 96) notes that this perspective has been criticised for underestimating the role of the state, i.e. »for putting too much faith in the market and for disregarding the role of the state.«

> territories: decisions are made by firms on a global basis, and other state's policies have major impacts within one's own boundaries. Reversing this process would be *catastrophic* for investment, economic growth, and electoral success.«

Especially for the countries of the non-West it is assumed that investments by TNCs would contribute to economic development by providing capital, new technologies and new ideas and that international institutions could be helpful in this sense. Thus, Büthe and Milner (2008: 759) write:

> »After years of apprehension, many developing countries have become interested in attracting FDI. Policymakers – not just at the World Bank and IMF, but also now in most developing country governments – consider FDI desirable because it provides much-needed capital and brings new technology as well as training for workers and managers to the country, and thus may contribute to economic growth [...]. Yet, multinational corporations are often wary of investing in developing countries. [...] [D]eveloping countries – if they want to attract more FDI – can make commitments to liberal economic policies more credible via international institutions, thus reassuring foreign investors and thereby increasing inward FDI.«

However, as Cohn (2010: 95-96) has noted, to assume that interdependence and open economic policies will improve the conditions in the non-West and thus represent a positive-sum game does not consider North-South political power relationships.

Fourth, and importantly, the neoliberal institutionalist perspective has, in contrast to the increased interest for the international mobility of capital, devoted relatively less attention to the international mobility of people in general and that of labour in specific. The neoliberal institutionalist perspective also has a contradictory stance at this case. On some occasions, the increased international mobility of people and migration is explicitly mentioned (without, however, being further elaborated). On other occasions, however, it is simply pushed away by arguing that the international mobility of people and labour reveals low levels compared to the 19th century so that a thorough analysis is implicitly not seen as necessary. The rare cases where migration is briefly mentioned is especially with migration to the West/North in mind, neglecting South-South migration.

Beyond the ontological basis of the neoliberal institutionalist perspective and the problems this reveals regarding the research question, there are also epistemological considerations to be taken into account. Thus, despite the ontological differences between the realist and neoliberal institutionalist perspective both approaches have some key similarities as they share »a preference for rationalist and materialist approach to analysis. Actors, whether states or non-state entities, are assumed to act in pursuit of clearly defined interests, usually expressed in terms of material preferences and goals. Identities are well established and unchanging. Outcomes are the result of a careful balancing of costs and benefits of alternative paths of behaviour« (Cohen 2014: 26; see also Burchill 2005: 65; Cohn 2010: 85-87). This has been also explicitly noted by Keohane and Nye (1987: 729) writing that »both realism and liberalism are consistent with the assumption that most state behavior can be interpreted as rational, or at least intelligent, activity. Realism and liberalism are therefore not two incommensurable paradigms with different conceptions of the nature of political action.« Not only states, but political and social actors in general are assumed to be, »broadly speaking, rational« (Keohane and Milner 1999a: 6).

It is from this backdrop that the use of rational choice models is widely spread within the neoliberal institutionalist perspective. Lake (2011: 46) notes that especially within the

American IPE it is undeniable that scholars »have moved increasingly toward formal models and statistical tests«. Most commonly, game theory as a rational choice model is used to explain cooperation (see on this Cohn 2010: 85-87; Stein 2008: 205). Keohane (1984: 65-109), for instance, prefers rational choice models and game theory to argue that cooperation »among egoists« is possible and that international institutions serve the interest of states.[82] Therefore, despite differences in ontology and theoretical positions, the preferred epistemology within the realist and neoliberal perspective is a »hard science model« which is based on the principles of positivism and empiricism so that, especially from the 1980s onward, the application of quantitative methods has increased (Cohen 2014: 27-30). This methodological approach, which »is borrowed from neoclassical economics, which in turn got it from the physical sciences«, then leads to an analysis that is »increasingly detached from real-world institutions and events, becoming more a branch of applied mathematics than a true *social* science. [...] Holistic thinking about the system as a whole is rare« (Cohen 2014: 28-29, 33; emphasis in original).

Such an epistemological orientation rendering actors as rationally behaving based upon cost-benefit calculations also neglects important interlinked social, economic and political contexts. This is then essentially to be considered as a hindrance to analysing state-society relations in a proper manner. It is also obvious that this epistemological orientation also fails to incorporate a historical dimension into its analysis. It is, however, as Amoore et al. (2000: 56) have noted, a problem when theoretical approaches »limit their consideration of history primarily to methodological concerns.« It is from this backdrop that from the 1990s onward a range of studies emerged in order to challenge the epistemological foundations of mainstream IPE, and to emphasise the importance of history in understanding transformations and providing more complete explanations regarding different developments in the global political economy (Amoore et al. 2000: 54).

Beyond the ontological and epistemological foundations of the neoliberal institutionalist perspective posing serious problems for the analysis of the research question, it should also be briefly mentioned that the greater region of the Middle East in general and the Gulf States in specific did not really gain the interest of this perspective and/or has been looked at from a Eurocentric point of view. Looking at the rare cases where the region is mentioned it can be observed that the region is often mentioned in the context of its oil reserves from a Western perspective. Thus, it is mentioned that following World War II, access to Middle Eastern oil has been central to the global economy, making even military interventions a possibility (Keohane 1984: 40).[83] It is also mentioned that the crisis in the

82 To emphasise the difference to the realist perspective though Keohane (1984: 78) notes that he uses rational choice »not to reinforce the conventional wisdom that cooperation must be rare in world politics, but to show that it can be pursued even by purely rational, narrowly self-interested governments, unmoved by idealistic concern for the common good or by ideological commitment to a certain pattern of international relations. That is, rational egoists can have incentives to form international regimes.«

83 That Keohane (1984: 140) acknowledges the importance of oil for the capitalist global economy after WWII can also be illustrated by his note that »oil has been for decades by far the most important raw material involved in international trade, and it was particularly significant for economic recovery and growth in Western Europe and Japan after World War II. The open, nondiscriminatory monetary and trade system that the United States sought depended on growth and prosperity in other capitalist countries, which in turn depended on readily available, reasonably priced imports of petroleum, principally from the Middle East. In a material sense, oil was at the center of the redistributive system of American hegemony. In Saudi Arabia, and to a lesser extent in other areas of the Persian Gulf, major U.S. oil companies benefited from

early 1970s including rising oil prices »had major effects on world politics« (Keohane 2011: 41). But overall, the case of oil is looked at from a Western perspective and/or is only incorporated to test the application of the theory regarding the evolution of international regimes and the decline of American hegemony (Keohane 1984: 150-240). It is also interesting to observe that regarding the continuous state of (often violent) conflict in the Middle East there is a tendency within the neoliberal institutionalist perspective to let the realist perspective get the upper hand. Thus, according to Fawcett (2013b: 6), on one occasion Joseph S. Nye, pointing to the conflict-laden situation in the Middle East, has even noted »how the pattern of conflict in the Middle East is ›consonant with the realist model‹«.

special relationships between the United States and the producing countries and from the protection and support of the American government.«

4 Charting a Different Path: The Neo-Gramscian Perspective

The previous chapter has revealed some important limitations, especially regarding ontological and epistemological aspects, of the two dominant theoretical perspectives within IR/IPE at approaching the research question. The aim of this chapter is to chart a different path through exploring the Neo-Gramscian perspective and its potential at approaching the research question. For this purpose, the chapter will trace the historical foundations and emergence of the Neo-Gramscian perspective, work out in more detail its theoretical framework, and elaborate what kind of a potential it provides for the approach of state policies towards the international mobility of capital and labour. The chapter will also critically analyse if and how the non-West, and the Middle East in specific, has been approached by the Neo-Gramscian perspective. Charting a different path through bringing in the Neo-Gramscian perspective is important because it constitutes an alternative theoretical perspective to dominant theoretical perspectives. The argument of this chapter contends that the Neo-Gramscian perspective provides an ontological foundation that allows us to consider different units and levels of analysis and an epistemological foundation allowing, amongst others, to adopt a historical approach and a mode of analysis that emphasises the importance of dialectical and/or contradictory development. Additionally, and in contrast to other theoretical perspectives, there is now an emerging body of academic work from this perspective that emphasises the inter-relation of mobilities of capital and labour, and the emergence of related structures at regulating these mobilities which could be useful for the approach of the research question.

1. The route to critical theory

The Neo-Gramscian perspective, it has been often argued, could be considered as an alternative to dominant mainstream theoretical perspectives in IR/IPE (Bedirhanoglu 2008: 91; Bieler and Morton 2003a; Morton 2007a: 111; Schechter 2002: 2; Worth 2011: 374). It is not only noted that the Neo-Gramscian perspective is »arguably the most influential leftist tradition of thought in IR/IPE« (Shilliam 2004: 60) but that it constitutes »perhaps the most important alternative to realist and liberal perspectives in the field today« (Martin Griffiths, cited in Cohen 2014: 56; see also Schechter 2002: 2).

Bieler (2001) has argued that especially the dialectical method of inquiry adopted by the Neo-Gramscian perspective allows considering different social forces in their historical context and the potential this entails for alternative modes of development. Consequently, the Neo-Gramscian perspective is described as providing an alternative theoretical framework in different aspects. First, in considering different units of analysis, especially social forces and their configuration, at different levels explicitly rejects the state-centric view; states are not regarded as unitary actors »but as structures within and through which social forces operate« (Bieler 2001: 1105). Second, the Neo-Gramscian perspective does not limit itself to a certain level of analysis but emphasises different but dialectically interrelated levels. Third, the theoretical framework it provides does not presuppose an unchanging world order but emphasises the possibility of different modes of development and the possibility of different world orders depending on the configurations of the units and levels of analysis.

1.1. From problem-solving to critical theory

In one of his earlier essays considered as one of the most important works of the Neo-Gramscian perspective Cox (1981) tries to elaborate the main problems of IR theory in order to introduce the theoretical framework he proposes. His starting position is that »Theory is always for someone and for some purpose« (Cox 1981: 128, emphasis in original). From this backdrop, he argues, it is possible to say that theory can serve two distinct purposes. The one purpose of theory, which he associates with the mainstream theoretical perspectives within IR, is »to be a guide to help solve the problems posed within the terms of the particular perspective« (Cox 1981: 128). Such a purpose gives rise to a »problem-solving theory« which does not question social and power relations and the institutions of the world but aims to find solutions regarding how these relations and institutions could work together more smoothly vis-à-vis existing specific problems. Cox (1981: 129, emphasis in original) thereby emphasises one of the main characteristics of problem-solving theory as:

> »its ability to fix limits or parameters to a problem area and to reduce the statement of a particular problem to a limited number of variables which are amenable to relatively close and precise examination. The *ceteris paribus* assumption, upon which such theorising is based, makes it possible to arrive at statements of laws or regularities which appear to have general validity«.

In contrast to problem-solving theory Cox (1981) points to »critical theory« which does not take institutions and power and social relations as granted but asks how they have emerged, changed and may change further in future. Moreover, according to Cox (1981: 129) critical theory »is directed to the social and political complex as a whole rather than separate parts

[...] [and] leads towards the construction of a larger picture of the whole of which the initially contemplated part is just one component, and seeks to understand the process of change in which both parts and whole are involved.« This, then, consequently implies the rejection of an ahistorical approach and points to the need »to adjust [...] concepts to the changing object it seeks to understand and explain« (Cox 1981: 129). The need for a historically oriented method is closely linked to the need to adopt a dialectical method. Here, Cox (1981) differentiates between two levels of dialectic. At the level of logic, dialectic »means a dialogue seeking truth through the exploration of contradictions« involving »the knowledge that each assertion concerning reality contains implicitly its opposite and that both assertion and opposite are not mutually exclusive but share some measure of the truth sought, a truth, moreover, that is always in motion, never to be encapsulated in some definitive form« (Cox 1981: 133-134). At the level of real history, then, »dialectic is the potential for alternative forms of development arising from the confrontation of opposed social forces in any concrete historical situation« (Cox 1981: 134).

These more general yet important theoretical and methodological considerations point to the profound ontological and epistemological differences to the realist/neo-realist and neoliberal institutionalist perspective, and also build the basis of the theoretical framework of the Neo-Gramscian perspective which is strongly influenced by the work of Antonio Gramsci (1971).

1.2. Gramscian concepts, hegemony and world orders

Before turning to a closer look at the theoretical framework of the Neo-Gramscian perspective it should be noted that the adaptation of Gramscian concepts for IR/IPE has been strongly criticised, primarily based on accusations that such an effort means detaching concepts, especially that of hegemony, from their historical and political context (e.g. see Femia 2005; Germain and Kenny 1998; Saurin 2008). Some have also argued that Gramsci's interest and his concepts primarily refer to the national level, as he has not been concerned with the international level (e.g. Shilliam 2004). Saurin (2008: 28, 30), for instance, notes that »›internationalising‹ the concepts of hegemony and civil society may yield insights, but it seems to rely upon a selective and misleading interpretation of Gramsci«, and that additionally »The Notebooks are simply too fragile, too fragmentary, and too intellectually mercurial from which to build or attempt to reconstruct a distinctive concept of the international or global that can seriously be attributed to Gramsci. Nor is there anything remotely categorical in his other collected works [...] which speaks explicitly to the problematic of the international.«

Cox (1983) too has argued that the ideas and writings of Gramsci have to be considered in their historical context. However, he states nonetheless that the concepts introduced by Gramsci, especially that of hegemony, could be useful for the contemporary analysis of international relations because »A concept, in Gramsci's thought, is loose and elastic and attains precision only when brought into contact with a particular situation which it helps to explain – a contact which also develops the meaning of the concept« (Cox 1983: 162). Morton (2007a: 101) even asserts that »it is entirely possible to argue that the concept of hegemony can sustain explanatory power beyond the ›national‹ context in relation to ›the international‹ because this was already how Gramsci developed the concept.« Morton (2007a, b) argues, based upon an extensive and close reading of Gramsci's works, that Gramsci himself did conceive the national and international levels as interrelated because the:

> »theorising offered by Gramsci does not presuppose the ›national‹ as an ontologically primitive category, but rather asserts an historical argument that, due to particular ways in which pre-capitalist and capitalist development occurred, given problems of international development become in a certain sense translated within and through the ›national‹ context. In essence, the ›national‹ is theorised as a point of arrival within ›the international‹ conditioning of capitalist expansion« (Morton 2007b: 615).

It is within this context that he then refers to Gramsci's (1971: 277-318) discussion of Americanism and Fordism and also points to an important passage in Gramsci's *Prison Notebooks* where it is stated that »variations in the actual process whereby the same historical development manifests itself in different countries have to be related not only to the differing combinations of internal relations within the different nations, but also to the differing international relations« (Gramsci 1971: 84). The fact of Gramsci's awareness of the interrelated levels of international and internal relations reveals itself also in his remark that:

> »It is [...] necessary to take into account the fact that international relations intertwine with [...] internal relations of nation-states, creating new, unique and historically concrete combinations. A particular ideology, for instance, born in a highly developed country, is disseminated in less developed countries, impinging on the local interplay of combinations. This relation between international forces and national forces is further complicated by the existence within every State of several structurally diverse territorial sectors, with diverse relations of force at all levels« (Gramsci 1971: 182).

Additionally, in his discussion of the concept of passive revolution Gramsci (1971: 116) also refers to the importance »of the relation of internal forces in the country in question, of the relation of international forces, of the country's geo-political position.«

It is from this backdrop that the adaption of Gramscian concepts has been justified and that the amount of studies from the field of IR/IPE employing the Neo-Gramscian perspective steadily increased to encompass production relations and hegemony in North America, the process of the European integration as well as transformation processes in Russia, Mexico and Korea (Bieling 2013: 193). But the most prominent demonstrations regarding the usefulness of Gramscian concepts for IR/IPE are probably the initial works of Cox (1983, 1987) and Gill (1991, 1993b). One of the most important concepts to which they in this context resort is the concept of hegemony which refers to the ability of a dominant class to attain a hegemonic position of leadership, or more precisely, which refers to power characterised by a certain configuration of coercion and consent (Cox 1983: 163-164). Power (hegemony is seen as one form of power) is considered to be »a necessary combination of consent and coercion. To the extent that the consensual aspect of power is in the forefront, hegemony prevails. Coercion is always latent but is only applied in marginal, deviant cases. Hegemony is enough to ensure conformity of behaviour in most people most of the time« (Cox 1983: 164). This specific notion of power, according to Cox (1983: 164), gives the concept of power »a wider applicability to relations of dominance and subordination, including [...] relations of world order.«[84]

84 Beyond the concept of hegemony Cox (1983:164-167) also discusses the concepts of war of movement and war of position and the concept of passive revolution. We will see below that the application of the concept of passive revolution has been most prominent at analysis of countries of the non-West.

Closely linked to the concept of hegemony is that of the historic bloc which points to a structure of state-society relations where »ideas and material conditions are always bound together, mutually influencing one another, and not reducible one to the other« (Cox 1983: 168). In this context, »The juxtaposition and reciprocal relationships of the political, ethical and ideological spheres of activity with the economic sphere avoids reductionism. It avoids reducing everything either to economics (economism) or to ideas (idealism)« (Cox 1983: 167). Important for Gramsci is that a historic bloc cannot exist without a hegemonic social class. According to Gramsci (1971: 181-182), there are three levels of consciousness on the path towards hegemony and the creation of an historic bloc: at the level of economico-corporative there is consciousness regarding the specific interests of a particular group; at the level of class consciousness there is an extension of consciousness to a whole social class, but still at a purely economic level; finally, at the hegemonic level the interests of the leading class are brought into harmony with subordinate classes and have incorporated »these other interests into an ideology expressed in universal terms« (Cox 1983: 168). This could be described as a passage:

> »from the specific interests of a group or class to the building of institutions and elaboration of ideologies. If they reflect a hegemony, these institutions and ideologies will be universal in form, i.e. they will not appear as those of a particular class, and will give some satisfaction to the subordinate groups while not undermining the leadership or vital interests of the hegemonic class« (Cox 1983: 168-169).

1.3. Hegemony and its elements and spheres of activity

Based on the need for a critical theory within IR/IPE and the usefulness of Gramscian concepts the Neo-Gramscian perspective provides a theoretical framework capable of considering different but interrelated units and levels of analysis. On a first level, Cox (1981: 135-137) introduces a framework of action, or a historical structure, incorporating three different but interrelated elements: material capabilities, ideas, and institutions, which in their interrelationship represent »a picture of a particular configuration of [interacting] forces« whereby »No one-way determinism need be assumed among these three; the relationships can be assumed to be reciprocal. The question of which way the lines of force run is always an historical question to be answered by a study of the particular case« (Cox 1981: 135, 136). Importantly, such a framework of action overcomes the intense debate whether material power, ideas or institutions have to be considered as the most important elements to be focused on at analysing international relations. Within this framework, *material capacities* are considered as »productive and destructive potentials«, i.e. economic as well as military capacities (Cox 1981: 136). *Ideas* could be intersubjective meanings (historically conditioned notions) »of the nature of social relations which tend to perpetuate habits and expectations over behaviour«) or »collective images of social order held by different groups of people« (Cox 1981: 136).[85] Finally, *institutions* represent »particular amalgams

85 Importantly, whereas intersubjective meanings are broadly common throughout a particular historical structure and constitute the common ground of social discourse, collective images of social order »may be several and opposed. The clash of rival collective images provides evidence of the potential for alternative paths of development and raises questions as to the possible material and institutional basis for the emergence of an alternative structure« (Cox 1981: 136).

of ideas and material power which in turn influence the development of ideas and capabilities« (Cox 1981: 136-137).[86]

On a second level it is argued that hegemony as composed of the above-identified interrelated elements can be present at three levels or spheres of activity. The first sphere identified is that of *social relations of production* with a special focus on social forces (Cox 1987: 11-103). This sphere especially refers to the interrelated aspects of what is produced, how it is produced and how it is distributed, and draws attention to »the pattern or configuration of social groups engaged in the process« (Cox 1987: 11-12). Social forces are not considered to exist only within states. Thus, particular social forces can overflow state boundaries so that »world structures can be described in terms of social forces just as they can be described as configurations of state power.« Therefore, the world is seen as exhibiting »a pattern of interacting social forces« (Cox 1981: 141). One example Cox (1981: 142-143) illustrates is the expansion of capitalist production relations which has generated new social forces in the periphery, resulting in a configuration of foreign capital, local labour force and an indigenous petty bourgeois.[87]

The second sphere, *forms of state*, puts focus on »state/society complexes« (Cox 1981: 138) and the configurations of social forces upon which state power rests. This is regarded as important for several reasons. First, Cox (1981: 127) notes that IR has given little attention to state/society complexes so that »the prospect that there exists a plurality of forms of state, expressing different configurations of state/society complexes, remains very largely unexplored«. Second, and related to the first point, Cox (1987: 105, emphasis in original) notes »that the general concept of the state is of limited usefulness in accounting for state actions and that in order to comprehend the real historical world it is necessary to consider distinctive *forms of state*.« That is the reason why he writes that he is »shy of discussing ›*the* state‹« and that he rather prefers »to adopt a historical approach, to consider the development of varieties of political authority arising in different times and places in the context of the variety of influences – economic, social, cultural, internal and external – that shape political authorities« (Cox 2002: 32, emphasis in original). Third, there is a need to consider different forms of state based on the distinguishing features of their historic blocs, i.e. »the configurations of social forces upon which state power ultimately rests. A particular configuration of social forces defines in practice the limits or parameters of state purposes, and the modus operandi of state action, defines, in other words, the *raison d'état* for a particular state« (Cox 1987: 105, emphasis in original). This means that it becomes important to look at »the content of the state« (Cox 1987: 409 n. 10), i.e. to »analyse the social basis of the state or to conceive of the historical ›content‹ of different states« (Morton 2007a: 119). This does, however, not imply that the state is a direct instrument of the dominant class, but that the state should be perceived as »an

86 According to Cox (1981: 136-137) institutions constitute a »means of stabilising and perpetuating a particular order. Institutions reflect power relations prevailing at their point of origin and tend, at least initially, to encourage collective images consistent with these power relations. Eventually, institutions take on their own life; they can become either a battleground of opposing tendencies, or stimulate the creation of rival institutions reflecting different tendencies.«

87 Note that Cox (1987: 11-103) especially emphasises the importance of the historical existence of several modes of social relations of production and the respective social forces with regard to material capabilities, the prevalent ideas and sustaining institutions/institutionalisations.

arena of class struggle« (Cox 1987: 19). For that reason, this approach in emphasising different forms of state does not take the state as a given or pre-constituted institutional category. Instead, »consideration is given to the historical construction of various forms of state and the social context of political struggle« (Morton 2007a:118; see also Bieler and Morton 2003a).

The third sphere and the main focus of the Neo-Gramscian perspective is that of *world orders*. At this sphere, it is argued, hegemony can manifest itself as an international phenomenon (Cox 1981, 1983, 1987). Hegemony is not meant to have the same meaning as dominance as often used by leading IR/IPE perspectives. In fact, it is »based on a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order (including certain norms) and a set of institutions which administer the order with a certain semblance of universality« (Cox 1981: 139). Hegemony at the world order refers to:

> »dominance of a particular kind where the dominant state creates an order based ideologically on a broad measure of consent, functioning according to general principles that in fact ensure the continuing supremacy of the leading state or states and leading social classes but at the same time offer some measure or prospect of satisfaction to the less powerful« (Cox 1987: 7).

From this perspective, then, hegemony is not only an order of states, but also »an order within a world economy with a dominant mode of production which penetrates into all countries and links into other subordinate modes of production« (Cox 1983: 171; see also Cox 1987: 149-150). International organisations and institutions are thereby usually the product of the hegemonic world order and embody rules that facilitate the expansion of hegemonic orders. They ideologically legitimate the norms of the world order and co-opt elites from peripheral countries and absorb counter-hegemonic ideas (Cox 1983: 172-173). The emergence of hegemony at the level of world order is usually seen as the result of an outward move of a particular mode of production and social order at the national level to »insert itself through the world order« (Morton 2007a: 121; see also Cox 1983: 171; Gill 1991: 47).

It is important to note that these three spheres of activity of hegemony, so too the elements of hegemony, are interrelated. Thus, changes at the level of social relations of production can generate new social forces, resulting in changes in the structure of states that then alter the problematic world order. This is not meant to be a unilinear process. For instance, transnational social forces and particular structures of world order can equally have an influence on states, and states themselves can affect the development of certain social forces (Cox 1981: 138).

2. Towards a neoliberal world order?

The dialectical relationship within and between the elements and levels of hegemony indicates the possibility of different – hegemonic as well as non-hegemonic – world orders. This has been demonstrated in the case of *pax britannica* and its decline leading to a non-hegemonic world order, and in the case of *pax americana* during the postwar period. The *pax americana* was thereby characterised by a mode of social relations of production based on a Fordist accumulation regime. Mass production, mass consumption and tripartite corporatism allowing for coalitions between the government, businesses and labour were thereby central features. The corresponding form of state was the Keynesian welfare state, which allowed intervention in national economies in order to ensure domestic stability through employment, social security systems and the distribution of economic wealth. At the international level the *pax americana* was characterised by international free trade and fixed exchange rates under the supervision of the Bretton Woods institutions, composed of international organisations like the IMF and the World Bank (Bieler and Morton 2004; Cox 1981, 1983, 1987, 1996; Gill 1991; Gill and Law 1988; Morton 2007a; Worth 2003).

This hegemonic period, however, came to face severe crisis in the 1970s, especially due to rising inflation and falling investment and manufacturing profits because of higher wages, higher input costs and intensified competition (Cox 1987; Gill 1991). This has led to a structural change and transformation in the global political economy towards a neoliberal form of hegemony. The crisis has resulted in a disintegration of the existing historical bloc and led to a process through which labour was pushed into a defensive position and trade unions were weakened, and where government intervention in the economy was rejected. In particular, the »Thatcher-Reagan model« (Cox 1987: 286) has been prominent in pointing to the changes in the economic system, with cuts to government spending (especially public spending for social security and health) and the restructuring of the production system including labour market reforms. The increased emphasis on global competitiveness, the related need for deregulation, liberalisation and privatisation referred »to the removal of the state from a substantive role in the national or global economy, except as a guarantor of free movement for capital and profits« (Cox 1996: 31).

2.1. A new social force: The internationally mobile capital

One main underlying process of this structural change has been identified as the *internationalisation of production* (Cox 1981: 146-147; Cox 1987: 244-253). Driven by a »transnational managerial class« (Cox 1981: 147; see also Cox 1987: 359-360; van der Pijl 1998: 98) TNCs were now able to take advantage of differences between countries (especially regarding labour costs, the access to raw materials and market opportunities) and to set up production processes on a transnational scale so that the internationalisation of production has become a central aspect of the global political economy (Cox 1987: 245-249; Gill and Law 1988: 191-223; Morton 2007a: 124). This process has resulted in an increase of international capital flows. FDI has been the central means through which the internationalisation production has expanded, allowing control over international production by setting up wholly-owned subsidiaries, joint ventures with local capital, or management contracts with state-owned enterprises (Cox 1981: 146-147). Besides the important aspect of control, another crucial feature of FDI compared to other forms of internationally mobile capital is that »Whereas money capital imposes an abstract and indirect discipline on labor, FDI directly reproduces capitalist relation of production within the host countries« (Overbeek 2002a: 78).

This process has led to a new configuration of social forces at the level of social relations of production. Not only internationally mobile capital but also »other elements of productive capital (involved in manufacturing and extraction), including small- and medium-sized businesses acting as contractors and suppliers and import-export businesses, as well as elements of financial capital (involved in banking, insurance, and finance) have been supportive of this transnationalisation of production« (Morton 2007a: 124; see also Gill 1995: 400-401). The main social force behind the structural change towards a neoliberal hegemony has been, however, the internationally mobile capital, which has been further strengthened through the above mentioned process of the internationalisation of production (Cox 1981; Gill 1991; Gill and Law 1988). Importantly, this structural change towards a new world order in fact »requires an environment in which capital, technology and inputs to the production process […], as well as finished goods, can cross borders relatively free« (Cox 1996: 192-193). As a result, the new configuration of world order gives the »mobility of capital [...] top priority« (Cox 2001: x).

It is within this context that states have started to become concerned with creating a business-friendly environment which would enhance the international mobility of capital through privatisation, deregulation, liberalisation, protecting property rights and enabling favourable policies towards FDI. It became more and more important for states to adjust their economic policies, including policies towards the international mobility of capital, through a market-oriented change and to create »a suitable business climate to attract foreign investments« (Gill 1991: 91; see also Gill and Law 1988: 98; Sinclair 1996: 5).[88] The important point is that »adjustment to the crisis occurred at different rates in different regions, but in each case it resulted in a ›neoliberal‹ shift in governmental policy« (Craig Murphy, cited in Morton 2007a: 125). It is within this context that the reluctance to follow a policy of openness and the attempts to control capital flows can lead to an »investment strike« or to a »capital flight« (Cox 1987: 305).[89]

This change in social forces, in the world order and in state policies already points to the second underlying process of the structural change which is *the internationalisation of the state* (Cox 1981: 144-146; Cox 1987: 253-265; see also Bieler and Morton 2001). Cox (1993: 260) has argued that adjustment to global competitiveness has become »the new categorical imperative«. In this process states are transformed into »instruments for adjusting national economic activities to the exigencies of the global economy« (see also Cox, 1987: 253).[90] This process has resulted in a situation where state agencies closely linked to the

88 Gill (1991: 112-121) and Gill and Law (1988: 83-102; 1993) speak in this context of the structural power of internationally mobile capital. Here, it is especially referred to the possibility of TNCs to »exert authority across national boundaries when they allocate resources internationally« (Gill and Law 1993: 102). More precisely, Gill (1991: 112) refers to the structural power of internationally mobile capital as »the cumulative capacity of internationally mobile capital to impose constraints, partly through the operation of market forces, on national governments and labour organisations.«

89 This process is often also discussed with reference to the concept of »double movement« as proposed by Karl Polanyi. Cox (1996: 31, 155) notes that according to Polanyi the first phase of the double movement was »the project of subordinating society to an abstract economic logic« which based on »the utopian vision of a self-regulating market«. Cox (1996: 32) argues that neoliberalism »today replicates the first phase of the double movement« on a global level (see also Cox 1996: 515; Gill 1995b).

90 In his earlier works Cox (1993: 260) has argued that states have thus become a »transmission belt« for top-down adjustments. However, it was sharply criticised that this »quite vague and ill-defined concept« (Baker 1999: 80) would neglect the role of domestic factors at transformations (see also Burnham 2006; Panitch 1994). Actually, the use of such a metaphor stands also in contrast to the theoretical assumptions of the Neo-Gramscian perspective on different state/society complexes and forms of state. Consequently, Cox (2002: 33) has withdrawn this »misleading metaphor« and accepted that he has been »justly criticized for using [this] metaphor« as it gives »the false impression of a totally external force impacting upon states from without and perhaps of an all-powerful centralized directorate of global capitalism.«

global economy (e.g. presidents, prime ministers, state ministries, treasuries, central banks) gained a dominant position vis-à-vis the agencies closely tied to the sphere of domestic public policy (e.g. ministers of labour, minister of industry) (Cox 1987: 259-261; Gill 1991: 95). International institutions like the IMF, World Bank or the OECD turned into important spheres for »the formulation of a policy consensus« (Cox 1987: 259; Cox 2002: 33; see also Bieler and Morton 2004: 96). Importantly, Cox (1987: 256) argues that the »internationalized policy process« should not be reduced to pressures to adjust economic policies from an external point of view as these pressures »were also, through ideological osmosis, internalized in the thinking of participants.«

There are, however, two important points to be mentioned in the context of this structural change. First, regarding the internationalisation of production it should be emphasised that this process has also produced contradictions between an internationally oriented capital striving for a global open economy and a nationally based capital of which the »natural reflex […] faced with the challenge of international production is protecttionism. It is torn between the desire to use the state as a bulwark of an independent national economy and the opportunity of filling niches left by international production in a subordinate symbiotic relationship with the latter« (Cox 1981: 148; see also Cox 1987: 272; Morton, 2007a: 121-124). Therefore, the nationally based capital »may oppose an open global economy due to their reliance on national or regional protectionism against global competition« (Morton 2007a: 124). A further contradiction is the difference within the nationally based capital with some elements profiting from internationalisation and others opposing it. Cox (1987: 361) notes on this that:

> »Some national capital that formerly had rested on a national territorial base now became global in scope. It remained national in its reliance upon the political support of the home state but now came to operate in many countries. [...] Some elements, however, often the least dynamic, remained apart from this movement, increasingly dependent upon state protectionist measures.«

Another contradiction is depicted as the division within the working class. On the one hand »workers of TNCs can be in conflict with workers of national companies, shadowing the split of capital«; on the other hand and related to this, »there may be a rift between established workers in secure employment, often within the core workforce of TNCs, and non-established workers in temporary and part-time positions at the periphery of the labour market« (Morton 2007a: 124). What is important is that this »fractionalisation of capital and labour into transnational and national social forces alike« (Morton 2007a: 124) is an important aspect to be considered in approaching state policies towards the international mobility of capital and labour.

The second important point is that regarding the internationalisation of the state it should be emphasised that despite the increased influence of the new world order one cannot speak of a one-way influence on states. Thus, Cox (1987: 306) notes that the combination of internal pressures from social forces at the national level and external constraints of the global economy (e.g. financial markets and international economic institutions) »sets practical limits to the options of governments.« For that reason, it is important to acknowledge the need of incorporating »the balance of social forces within states« at the national level into the analysis (Cox 2002: 33). This would allow focus »on the intertwined relationship between ›international‹ forces and ›national‹ relations within state/civil society relations that react both passively and actively to the mediation of global and regional forces« (Morton 2011: 162-163; see also Bieler and Morton 2003b: 489).

2.2. Towards a temporary framework for the international mobility of labor

One has to note that contrary to the realist/neo-realist or to the neoliberal institutionalist perspective some important works of Cox has also included labour in its theoretical framework. Thus, in one of his most important works Cox (1987: ix) explicitly emphasises the importance of work, and writes that his study's »central premise is that work is a fundamental activity that affects a range of other important human relationships and the organization of society as a whole.« Indeed, his analysis of different modes of social relations of production and forms of state continuously incorporate labour as a social force in the analytical framework. On different occasions Cox (1987: 251-253) also discusses the impacts of the internationalisation of the production on labour. Therefore, accusations of neglecting labour may be directed toward those empirical works of the Neo-Gramscian perspective which have strongly focused on capital and its international mobility, but only to a limited extend toward the Coxian work and its theoretical framework.[91]

However, contrary to the explicit theoretical and empirical focus on the international mobility of capital and the related state policies, the initial studies of the Neo-Gramscian perspective did not engage much with the international mobility of labour and the related state policies. This does not mean that the issue of international labour migration has been completely absent in these initial works. Cox (1996: 531), for instance, indeed notes that migration »is a growing but also increasingly conflictual aspect of globalization« (see also Cox 1996: 195). Additionally, on several occasions questions related to international labour migration are touched upon within the differentiation between »established workers« and »non-established workers«. Migrants, usually conceived as belonging to the latter group, and their differing working and living conditions and their impact on receiving countries are indeed mentioned on many occasions (e.g. Cox 1981: 148-149; Cox 1987: 61-62; Cox 1996: 111-112; Cox 2002: 81; Gill 1991: 50-51). Importantly, the role of migration within the process of the internationalisation of production is also mentioned. For instance, Cox (1987: 246) notes that »Cheaper labor was available either by employment of immigrants from poor countries or by relocating plants from rich to poor countries.« Thus, immigration as a source of cheap labour is considered as an alternative to the transfer of plants into geographically peripheral zones (Cox 1987: 320-321).

It remains to be noted, however, that most of the above mentioned remarks remain short, scattered and lacking a theoretically grounded systematic approach. Yet, this gap has been filled by a range studies that are closely linked to the Neo-Gramscian perspective. Their starting point is that the »Idea of mobility is [...] usually associated with the movement of capital more than of people« (Overbeek 2002a: 281) but that the internationalisation of production and the emergence of a global labour market has been accompanied by an increase in the international mobility of labour (Dreher 2007; Overbeek 2002a; Pellerin 1999, 2008; Pellerin and Overbeek 2001). It is argued that new

91 See, for instance, Burnham (2006) and O'Brien (2002) who argue that studies building upon the Neo-Gramscian perspective have been much more interested in the activities of the internationally mobile capital than with labour.

production technologies that make it possible to separate the labour-intensive parts from the capital-intensive parts, new transport and communication technologies, and »the existence of a sheer inexhaustible reservoir of cheap labor in large parts of the Third World should be thought together« (Overbeek 2002a: 76; see also Cox 1996: 195).

Two important interrelated features within this process should be especially emphasised. First, in the context of the structural changes towards a neoliberal hegemony there is an increased attempt to subordinate the international mobility of labour to the needs of capital; second, and related to the first point, states have started to opt for a framework of temporary labour migration and its effective management (Overbeek 2002a; Pellerin 1999, 2008; Pellerin and Overbeek 2001). The overall aim of state policies regarding international labour migration has thus become to find a legal framework that allows the best fit between the demand for and the supply of labour on a global basis, whereby the interests of capitalist employers build a central corner stone. Thus, Pellerin (2008) for instance argues that temporary labour migration has not only witnessed an immense increase since the 1990s, but more importantly, that there emerged a legal framework towards temporary labour migration that strongly subordinates the international mobility of labour to capital. She especially refers to the Mode 4 regulation of the GATS in which:

> »the mobility of people is [...] subordinated to the mobility of goods and services. The main objecttive underlying the mobility of people is to encourage competitive access to service market providers« whereby »persons supplying services are considered non-migrants. The annex on the movement of physical persons supplying services specifically excludes job searches, citizenship rules and permanent employment« (Pellerin 2008: 31).[92]

Boucher (2008), who has reviewed some of the key reports of international institutions and organisations on international migration, comes to a similar conclusion. He notes that, first, the reports he has analysed take the structure of the global capitalist system in its neoliberal form as granted and do not problematise it. Even in their discussion of the exploitation of migrant workers these reports usually do not really touch upon the role of capitalist employers. Boucher (2008: 1462) notes that even ILO's report *Towards a Fair Deal for Migrant Workers in the Global Economy* »manages to discuss migrant workers' exploitation without mentioning capitalist employers who do much of the exploiting.« Instead, within the context of the increased flows of capital, goods, services and information it is often argued that states still put restrictions on the mobility of labour, which have negative consequences for TNCs. The report by the Global Commission on International Migration (GCIM), for instance, notes that these restrictions affect unskilled migrants at most, but that »even skilled professionals and the employees of multinational corporations often find their relocation is obstructed and delayed by restrictive policies and cumbersome procedures« (cited in Boucher, 2008: 1463, emphasis added).[93] The

92 More generally, Gabriel and Pellerin (2008) detect three major shifts regarding international labour migration: First, the rise of temporary labour migration, second, the increasing influence of transnational commercial law on national migration policy since the mid-1990s, and third, the increased securitisation of migration management since 9/11.

93 The GCIM report states that »Multinational corporations want to move their personnel from one country to another in order to make the best use of the talent they have engaged, and are calling on states to make this process easier« (cited in Boucher 2008: 1463).

international mobility of labour is discussed in the context of the economic needs of TNCs and capitalist employers in general. Thus, the report explicitly notes that »Private enterprises that wish to boost their competitiveness and expand their markets feel they must be able to recruit their employees much more freely and on a global basis. [...] If they are unable to do so, they may move part or all of their enterprises to countries where they are able to find the people they need« (cited in Boucher 2008: 1463-1464).[94]

Second, facing the need to match the demand for and the supply of labour on a global basis through international labour mobility, the most common solution offered by the reports is that states should initiate and expand temporary labour migration programmes. The GCIM, for instance, notes that »States and the private sector should consider the option of introducing carefully designed temporary migration programmes [i.e. »work [...] for a fixed period and under agreed conditions«] as a means of addressing the economic needs of both countries of origin and destination« (cited in Boucher 2008: 1468).

These two important points build the basis upon which Boucher (2008: 1469) argues that such a configuration »is primarily designed to serve the interests of both developed states and the corporate sector, principally capitalist employers whether transnational, national or local in their operations. It is only secondarily about the interests of migrants«.

It is from this broad backdrop that the asymmetry between the international mobility of capital and labour and the related state policies does not pose a paradox. The period of neoliberal hegemony is principally »about the freedom of capital to maximize its accumulation position, not about libertarian ideals« (Overbeek 2002a: 75). In the end, labour and its mobility is a central part of the process of the internationalisation of production as international labour migration represents one way through which global capital can access the emerging global labour market whereby »the emerging global regime for labor involves both the disciplining labor and the selective freeing of the mobility of labor« (Overbeek 2002a: 84-85). Accordingly, states are expected to design their policies towards the international mobility of labour based upon economic needs by especially trying to ensure that this mobility is temporary and not permanent.

3. The Neo-Gramscian perspective and the approach of the non-West

3.1. The Neo-Gramscian approach of the non-West

Within the Neo-Gramscian perspective the non-West or the »periphery« is usually associated with non-hegemonic societies. Cox (1987: 150) explicitly notes that »Hegemony, though firmly established at the center of the world order, wears thin at its peripheries« and that in these countries »the element of force was always apparent« (Cox 1981: 144). In Cox's conception these societies are assumed to have a »non-hegemonic character, a case of dominance without hegemony« (Pasha 2005: 550). Other Neo-Gramscian scholars basically share this assumption. Overbeek (2002b: 2012), for instance, points to the lack of hegemony in peripheral countries where »power is based more strongly on coercion,

94 That this trend of representing TNCs not as part of the problem but as important to the solution is also reflected in the fact that Kofi Annan, the former Secretary-General of the UN, has nominated Peter Sutherland, the former Director-General of the GATT and the WTO and Chairman of both BP and Goldman Sachs International, as his Special Representative on Migration who should oversee the UN's reports on international migration and development (Boucher 2008: 1464).

and effected directly through the state«, and van der Pijl (1998: 65-84) differentiates between the Lockean state-society complexes where hegemony prevails, and the Hobbesian state-society complexes where it is absent, i.e. where »state power becomes subject to bureaucratisation, society is confiscated by the state and state power turned against anyone resisting it« (van der Pijl 1998: 80; see on this also Bieling 2013: 193).

The most prominent concept proposed or used to approach the countries of the non-West has been that of passive revolution. The concept of passive revolution was introduced by Gramsci (1971: 106-120) in his search for accounts for differences in state formation processes, especially where broader popular involvement in the process (e.g. the French Revolution) has been absent (e.g. in Italy during the Risorgimento), i.e. where state formation processes have not been initiated by a popular revolution but from above.[95] In Gramsci's account passive revolution »as a criterion of interpretation« (Gramsci 1971: 114) points out »that what was involved was not a social group which ›led‹ other groups, but a State which, even though it had limitations as a power, ›led‹ the group which should have been ›leading‹ and was able to put at the latter's disposal an army and a politico-diplomatic strength« (Gramsci 1971: 105). In this context, the concept is associated with cases where »there do not exist local ›hegemonic‹ groups« (Gramsci 1971: 105). The concept of passive revolution is in this context also closely linked to processes of change. Thus, Gramsci (1971: 59, 109) refers to passive revolution also as »›revolution‹ without a ›revolution‹« or as »revolution/restoration« in order to point to situations where »a State replaces the local social groups in leading a struggle of renewal« (Gramsci 1971: 105-106). Here, passive revolution becomes »the interpretative criterion of molecular changes which in fact progressively modify the pre-existing composition of forces, and hence become the matrix of new changes« (Gramsci 1971: 109).

As in the Neo-Gramscian perspective the non-West is commonly assumed to consist of non-hegemonic societies, the concept of passive revolution as »a counterpart to the concept of hegemony« is considered to be »particularly apposite to industrialising Third World countries« (Cox 1983: 167). Thought within the context of world order these countries are considered to have »imported or had thrust upon them aspects of a new order created abroad, without the old order having been displaced. These [...] were caught up in a dialectic of revolution-restoration which tended to become blocked as neither the new forces nor the old could triumph« (Cox 1983: 166).

The main form of state which Cox (1987: 230-244) associates with these countries is »the neo-mercantilist developmentalist state«. This form of state which »became characteristic of late-developing peripheral economies« in the post-war period is characterised by a state which is able »to take initiative to induce change in economy and society« (Cox 1987: 218, 231). One of the main aims of this form of state which is characterised by its control of the national economy for the sake of continuous economic growth include, amongst others, the control over and the terms of access of international capital to the national economy (especially in the sectors of extraction, agriculture and manufacturing).

95 Gramsci (1971: 115) speaks of »successive small waves of reform rather than [...] revolutionary explosions like the original French one. The ›successive waves‹ were made up of a combination of social struggles, interventions from above of the enlightened monarchy type, and national wars«

Importantly, this form of state is considered to have »initiated capitalist development as a passive revolution within an authoritarian framework under state leadership for lack of any established bourgeois hegemony« (Cox 1987: 218). Accordingly, their economic system »remains linked with capitalist accumulation at the world level« (Cox 1987: 232) and especially the investment criteria of international capital are decisive in this regard. The state may have an influence on development objecttives, but this influence is »nullified at the point where it runs up against international capital's criteria of profitability« (Cox 1987: 232). This does not, however, indicate a process without contradictions, as this form of state can also pose »problems for foreign investors because it is more interventionist, but it also offers advantages. The social peace and internal political order maintained by strict state control over labor relations and police and parapolice repression protect foreign investments and safeguard servicing of debt« (Cox 1987: 232-233).

Within the context of state-society complex the neomercantilist developmentalist state »will [also] try to incorporate some elements of society within its sphere, under its direct sponsorship and control« (Cox 1987: 233). The incorporation of workers, their organisations and some parts of the rural population is »often undertaken in a time of social crisis either as a preemptive response by the state to the threat that autonomous class-based organizations might gain the allegiance of these social groups or as a means of neutralizing such organizations where they already exist« (Cox1987: 233).

Overall then, the neomercantilist developmentalist form of state is characterised: first, by a strong involvement of the state in economy and society due to lack of a social force to establish its hegemony; second, by the fact that its origins and evolvement can be described »as the result of (1) the impact of foreign economic penetration and the gradual inclusion of a country within the world capitalist economy and (2) the nature of the local response by social and political forces to this impact« (Cox 1987: 234); and third, by its role to mediate »among social groups by making the state the arbiter and by suppressing open social conflict. The state does this within its primary constraint, which is the need to adjust its policies to the requirements of accumulation at the world level. Such states appear objectively to be allies, if sometimes querulous allies, of multinational capital« (Cox 1987: 238).

3.2. Indications of Eurocentrism?

Can the Neo-gramsican perspective also be considered as Eurocentric? The fact is that the Neo-Gramscian perspective has not been immune against accusations of Eurocentrism either and has been therefore often criticised by many scholars (e.g. by Hobson 2007, 2012; Pasha 2005, 2008). That »Cox and other neo-Gramscians have […] signally failed to challenge the Eurocentrism of mainstream IR/IPE« (Saad-Filho and Ayers 2008: 116) is illustrated at several levels. For one it is argued that the Neo-Gramscian perspective, especially the works of Cox, has exclusively focused on the West and Western powers (Hobson 2007: 95-97; Hobson 2012: 243-244; Pasha 2008: 154). Neo-Gramscians are in this sense portrayed as quite similar to mainstream IR/IPE theorists. They are considered to »offer a Northern gaze« (Pasha 2008: 154) and it is argued that especially the main work of Cox (1987) »tells a Western story of late modernity« (Pasha 2005: 549).

This strong focus on the West, it is further argued, builds the basis upon which capitalism is considered to have emerged in the West and later diffused to the Third World. Consequently, »This narrative erases the inextricable linkage between colonial modernity and the rise of Western hegemony in the nineteenth and twentieth centuries« (Pasha 2008: 155), and neglects the Eastern great powers from the 15th to the 19th century and their important links with the West (Hobson 2007: 95-97; Hobson 2012: 243-244; Pasha 2008: 154). If the non-West is approached at all, then it is mainly done with regard to »the limits of Third-World political action from the empathetic perspective of the Third World itself«, or with regard to »the effects of Western (mainly American) hegemony on the Third World« (Pasha 2005: 545).

This strong focus on the West is also considered to have important implications for the concepts introduced and used by the Neo-Gramscian perspective. For instance, one of the central concepts of the Neo-Gramscian perspective, that of world hegemony, is within this context represented as an exclusively Western phenomenon (Hobson 2007: 95-97; Hobson 2012: 243-244). Thus, in the Neo-Gramscian perspective »The non-West remains a silent spectator, marginal both historically, but also analytically. To this point, the mutual interacttions between the West and the Rest (including especially the Islamic world) are largely absent« (Pasha 2005: 549). In his analysis of Islam and hegemony Pasha (2005: 545) indeed notes that »To be certain, the Muslim Middle East is characterised by an absence, not presence, of hegemony, which may be the core basis of movements seeking an Islamic alternative« (Pasha 2005: 545). But importantly he is right at pointing to the problem that »the absence of hegemony in those vast zones of the world makes transnational or global hegemony problematic« (Pasha 2005: 550). The intention to overcome this problem by framing world hegemony »as a mixture of hegemony *and* dominance: hegemony in the core, dominance in the peripheral zones of the global political economy« or by framing it »as an inter-state project in which dominant classes collaborate« cannot really be considered as a solution because each option »contradicts statements on the transnational character of hegemony. In actuality, the analysis suggests the absence of transnational hegemony given basic cleavages between subordinate groups in core and peripheral zones« (Pasha 2005: 550, emphasis in original).

The common notion that the concept of passive revolution is best suited to approach the non-West or non-hegemonic societies is also seen as problematic because within this framework »hegemony appears as a top-down ideology that extends spatially from the core to the periphery with the expansion of the activities of the core state« (Hobson, 2008: 155). Consequently, change in these non-hegemonic societies is accounted for in an exogenous way so that internal processes are not really considered (Hobson 2012: 244-246; Pasha, 2008: 155). The problem regarding Eurocentrism in this context is »that Eastern societies are denied the privilege of self-generation, such that any change that does occur is only made possible by the external influences or dictates of Western forces« (Hobson 2012: 246). Thus, the lack of looking at Eastern agency, even within the context of the concept of counter-hegemony, results in »presenting Eastern states/societies as little more than *Träger* – i.e. as ›passive bearers‹ of anthropomorphic Western hegemonic structural forces« (Hobson 2012: 251, emphasis in original).[96]

96 Pasha (2008: 160) additionally argues that »To the extent that neo-Gramscians embrace the characterization of the modern state as a secular political entity, religious phenomena, including its politicized expressions, appear either as anomalies or as an aspect of resistance against West-centered globalization.«

From this backdrop these critiques conclude that »the neo-Gramscians have not been entirely successful in avoiding the constrictions of Western IR« (Pasha 2005: 544), but that a consideration of the non-West maybe would have resulted in a different conception of hegemony (Hobson 2012: 243-244) and would have led to an acknowledgement that »it is precisely the suppleness of capitalism to accommodate and incorporate diverse, actually existing, cultural forms that gives it efficacy and global reach« (Pasha 2008: 157).

There are, of course, very important indications of these critiques, such as that the absence of the non-West in the Neo-Gramscian perspective should be questioned, or that the concepts of world hegemony and passive revolution should be reconsidered. The empirical chapters of this study will be an attempt at determining the strength and limits of these concepts and could provide theoretical conclusions regarding the demand for such reconsideration. One has, however, to relativise these critiques to a certain degree. It is indeed true that the Neo-Gramscian perspective has strongly focused on the West (for some notable exceptions see Moore 2007 and Morton 2003). Nonetheless, one should be careful at oversimplifying the approach of the non-West by the Neo-Gramscian perspective.

On the one hand, the work of Gill and Law (1988) is, compared to other theoretical perspectives of IR/IPE and to the IPE textbooks mentioned in the literature review, more consistent in incorporating the non-West. For instance, they have a full chapter on north-south-relations dealing with questions related to economic development, trade, aid and the overall relationship of the South with the North and the demands put forward within the context of this relationship. They also have an entire chapter on the importance of oil for the global political economy (Gill and Law 1988: 256-301). It could be said that these examples reveal a certain »empathy« with the South and that the focus on oil is mainly approached with regard to oil companies and Western countries. Accordingly, they cannot be seen as disproving accusations of Eurocentrism. But what makes these examples important is that there is nevertheless a certain attempt not to dismiss certain regions and topics that are usually not dealt with in depth by other perspectives.

On the other hand, and maybe more importantly, although not systematically dealt with, Cox is, compared to the theoretical perspectives of (neo-)realism and neoliberal institutionalism and contrary to the presumptions of Hobson (2007, 2012: 234-254), indeed aware of the fact that:

> »diplomatic, trade, and cultural exchanges between Islamic and non-Islamic world constituted factors of coexistence« and that »Islam preserved the classical Greek texts of Plato and Aristotle, and developed the ideas contained in them through the works of Avicenna, Averroes, and others. It was through contact with the higher culture of Islam that the Christian West recovered knowledge of Greek philosophy« (Cox 1996: 159, 161).

This awareness, although not systematically worked out, sets the Neo-Gramscian perspective apart from other perspectives of IR/IPE.

But the works of Cox are also characteristic for considering and incorporating different thinkers from different regions. Important in this context is Cox's (1996: 144-173) »reflections on the relevancy of Ibn Khaldun«, who was a 14th century Islamic scholar. The important point to be mentioned is that Cox considers the works of Ibn Khaldun not just within a historical context. For him Ibn Khaldun provides important ontological and epistemological insights for the analysis of global politics and the prospect of historical structural change. Beyond the fact that Ibn Khaldun provides an epistemological approach through which he has »envisaged a critical, scientific knowledge of history« which is dialectical (Cox 1996: 162), he is also considered to be relevant for a range of other reasons. First, Ibn Khaldun himself was living in a period of historical change, and his efforts to understand the reasons for this change can be useful for understanding contemporary structural changes. Second, revisiting Ibn Khaldun's work is also important for debates over a posthegemonic order as:

> »the search for the common ground for a posthegemonic order can best begin with an effort to understand those perspectives that have appeared most to challenge the existing hegemonic ways of understanding and acting in world politics. [...] The Islamic tradition is the ›other‹ in relation to the western tradition which is both the closest and the most difficult for the western-conditioned mind to understand. A rationalist and historicist Islamic philosopher and historian can be the point of access to empathy with that other« (Cox 1996: 153).

Third, and related to the second point, his work can be considered as an important access point to understand the Islamic civilisation which »is asserting its presence in the shaping of any future world order« (Cox 1996: 157). Fourth, Ibn Khaldun has problematised the construction and maintenance of states from a perspective which does not take the state as given or »as the unquestioned basis of world order«; for him »the state was not conceived as an abstraction; it was always a concrete historical phenomenon equated with a dynasty« (Cox 1996: n. 30, p. 171). This is important because the state and the world order are not thought of in a limited institutional sense but in the context of human collectives, material conditions and intersubjective meanings. Importantly, Ibn Khaldun's work also explicitly asserts that »the development of a state contains the seeds of its own destruction, from which it may be inferred that the intersubjectivity that was the basis of state power will cease to exist« (Cox 1996: 163).

Beyond these critical remarks on accusations of Eurocentrism towards the Neo-Gramscian perspective it should be finally also briefly noted that Gramscian concepts have indeed started to be applied in the analysis of Middle Eastern countries. Tuğal (2009), for instance, has deployed the concept of passive revolution to analyse the absorption of Islamic opposition movements in Turkey into existing dominant political structures and has provided important insights regarding the interrelationship of political Islam and neoliberalism. Others have applied the concept of counter-hegemony to analyse Islamic political movements. Butko (2004), for instance, has analysed Islamic movements as counter-hegemonic forces aimed at overthrowing dominant powers in order to establish a new political and social order. From a more critical perspective Kandil (2011) tests the »the limits of Gramscian counterhegemonic strategies« in the case of the political movement of Muslim Brothers in Egypt and argues that a Gramscian approach is in this case insufficient as it puts a strong focus on the consent-side but ignores the »coercion-side«.[97] Furthermore, Buillon (2004) has applied the Neo-Gramscian perspective to

97 Kandil (2011) argues that the organisation of Muslim Brothers had managed to establish itself in ideological, social and political terms, but that it was nonetheless crashed down by the state. Insofar, the »harsh reality of physical coercion« is assumed to be the Achilles' heel of a Gramscian approach. He refers in this context to Poulantzas' critique of Gramsci that »Only too often does emphasis on the state's role in ideological relations lead to underestimation of its repressive functions. By repression should be understood first and

analyse the peace process in the Middle East and Mueller (2010) has applied it to analyse Jordan's interactions with the IMF and the impacts this had on the class structure in the country.

4. Concluding remarks

As an alternative theoretical path the Neo-Gramscian perspective seems to provide a more appropriate basis for approaching the research question for at least two reasons. First, it provides a theoretical framework that allows us to consider different units and levels of analysis. Whereas the incorporation of material capabilities, ideas and institutions allows us to consider the importance of different but interrelated units of analysis, the incorporation of social forces, forms of state and world orders allows to consider different but interrelated levels of analysis. Second, the theoretical framework of the Neo-Gramscian perspective has been thus far also utilised to approach questions related to the international mobility of capital and labour. On the one hand, state policies towards the international mobility of capital have become to be concerned with pursuing a market-oriented development through creating a business-friendly environment and favourable conditions for FDI. This argument is, on the other hand, complemented by the assumption that the international mobility of labour has increasingly become subordinated to the needs of the economy as a whole in general and to the needs of nationally oriented and internationally mobile capital more specifically. State policies towards the international mobility of labour have, in this context, become concerned with the effective management of international labour mobility through attempts to establish a temporary framework for international labour migration.

It has been, however, also discussed that the Neo-Gramscian perspective has not been immune against accusations of being Eurocentric. Although the Neo-Gramscian perspective seems to be more open to engage with the non-West and to emphasise the theoretical relevance of some non-Western thinkers, and although there is an emerging academic interest to deploy some of the key concepts of the Neo-Gramscian perspective for the analysis of the Middle East, it is indeed possible to state that the non-West, and especially the region of the Middle East, gained relatively less interest. Beyond this, the critique that some basic concepts of the Neo-Gramscian perspective are not only reflecting a certain Eurocentric view but also have to be considered as problematic at the approach of the non-West has to be taken seriously. For instance, as for hegemony and passive revolution, it remains to be empirically analysed: if and how the policy implications of a neoliberal world order are disseminated in the Gulf region; if and what kind of a role could be attributed to internal processes in this context, i.e. to concrete social, economic and political configurations at the national level; and finally, whether and to what extent we can speak of non-hegemonic societies at the national level. The answers to these questions can only be approached through an empirical analysis. For that reason, the aim of this study, to empirically analyse state policies of the Gulf States towards the interna-

foremost organized physical violence in the most material sense of the term: violence to the body« (cited in Kandil 2011: 56-57). We should, however, notice the objection of Anderson (1976: 44-49) that the neglect of the coercion-side is not inherent to Gramsci's thinking, as he took the coercion-side for granted but wanted to reveal the other, less analysed aspect of the consent-side. See on this also Scherrer (1998).

tional mobility of capital and labour, could arrive at conclusions important regarding the above mentioned questions and the related concrete assumptions of the Neo-Gramscian perspective.

5 The Gulf Region in the Global Political Economy

It has been already noted in the previous chapters that the Middle East in general and the Gulf region in specific did not gain much academic interest in the field of IR/IPE and that foreign policy, security issues and the existence of natural resources, especially oil, have been the most prominent topics the research has been interested in. Consequently, before turning to the empirical analyses of state policies towards FDI and international labour migration, it is necessary to accentuate the importance of the region within the global political economy. For this purpose, the chapter will not only analyse what the historical importance of the Gulf region, especially in the context of global trade and oil, has historically meant for the states, societies and economies of the region, but also closely focus on the relevance of the region regarding global commodity and money flows. The chapter will work out the historical and contemporary importance of the region for global trade and thus emphasise the centrality of the region regarding commodity flows, including the importance of oil as a »strategic commodity« for the global political economy. The importance of the Gulf region within the global political economy will be further highlighted by analysing the role of the Gulf region in the example of petrodollars and SWFs from the region and their centrality to the global financial system.

1. Historical implications of global connections for state, society and economy

1.1. Global trade, British dominance and changing economic and political structures

The period of Britain's dominance in the Gulf region had important and farreaching implications for the region's economic and political developments (with the exception of Saudi Arabia which managed to remain outside of the British sphere of influence). The region encompassing the contemporary UAE was from the early 18th century onward called the Trucial States. Although the Trucial States have never been officially a colony or protectorate of it, Britain nonetheless had a major influence on the economic and political development of the region, which, of course, constituted an important geopolitical node for securing global trade routes (Zahlan 1989).

One of the early instances of the influence of British power in the early 19th century was that it suppressed the existing rival Arab trading network in favour of the East Indian Company and signed a range of treaties with the rulers of the region (Davidson 2005; Zahlan 1989).[98] A first important implication of these treaties was that they were aimed at keeping other major powers (Persia, France, the Ottoman Empire and later the US) out of the region. This had economic consequences, as foreign capital (aside from the British one) was kept out of the region. For instance, as foreign capital from France and Germany offered local merchants to cooperate in the pearling industry and offered them modern equipment and access to new markets this was strongly opposed and hindered by Britain (Davidson 2005: 32-35).[99] This has »limited the opportunities of the […] indigenous merchant class and thereby further [strengthened] the already peripheralized nature of the region's economy« (Davidson 2005: 35). As a result, the Gulf region was »cut off from the rest of the world« and turned into a »British lake« (Zahlan 1989: 14, 12).

The second important impact of the treaty relations was that it has led to a change in local power structures. Traditionally the authority of the ruler was based on some form of consent. The ruler gained his authority not only from the *diwan* which served as an advisory body and represented important social groups within the society but also from the *majlis* which was an advisory council open to the people who could put forward their grievances in the presence of the ruler. This system, especially the majlis »left room for a kind of consultation-based grassroots participation […] [and provided] a channel of communication leading directly to the ruler« (Davidson 2005: 16; see also Zahlan 1989:

98 One of the most contested topics regarding this period is to what extent the regional slave trade has been central at the suppressing of the regional Arabic trading network. See on this contested topic Davidson (2005). Some scholars argue that although Britain tried to ban slavery in the region with the Treaty of 1838, slave trade lasted well into the 20th century (Commins 2012: 11). Rugh (2007) notes that the trade with slaves was a lucrative commercial activity allowing profits between 20 to 50%. The slaves from Zanzibar and other East African regions were thereby brought to the Gulf region, Basra and Persia. During intense times of slave trade about 12,000 slaves were traded per year. Rugh (2007) further notes that despite the ban by Britain, slave trade lasted until the 1950s.

99 The pearling industry and trade with pearls was one of the main economic activities of the region until the 1930s. Rugh (2007: 7) writes that it »was one of the most lucrative industries in the Gulf for hundreds of years«. The Great Depression of the 1930s, combined with the Japanese invention of cultured pearls, which were cheaper, resulted in the collapse of this industry.

19-22; Commins 2012: 10-11).[100] The treaty relations with Britain, however, gave the signing rulers a dominant position from which they drew strength »as rival shaikhs were effectively delegitimized by their nonsignatory status« (Davidson 2005: 31; see also Zahlan 1989: 12). Thus, the increased dependence of the rulers on Britain went along with the demise of traditional consent-based political structures, which were further hollowed out with the discovery of oil. That is the reason why Rugh (2007: 218) notes that »Consultation and consensus were supplanted by British force and the needs of oil exploration.« This new political structure, combined with the economic crisis of the 1930s, resulted in a widespread resistance led by the merchant class and the establishment of the Dubai Reform Movement demanding structural economic, social and political changes. However, this movement was suppressed with the support of Britain (Davidson 2007a; Yanai 2014).

What is indicative of the British influence is, first, that the initial emergence of a capitalist development in the pre-oil period faced severe restrictions which were of international character, mainly the impact of the Great Depression, the Japanese competition of cultured pearls, and Britain's blockage of further development. Second, British influence in the region played a central role at undermining the traditionally consent-based political structures and equally helped to suppress demands for more inclusion and political participation.

1.2. Oil and state-society relations

The exploration, production and export of oil also had tremendous impacts on state-society relations in the Gulf region. Again, the case of the Trucial States may serve as an example of this impact. Davidson (2005) illustrates, for instance, that the demise of the pearling industry in the early 1930s coincided with increased revenues of local rulers from air landing rights and oil exploration concessions. These payments by Britain resulted in a shift in the relation between ruler and merchants. The »formerly politically active merchant elites were essentially marginalized: the rulers were no longer reliant on their support and taxes« (Davidson 2005: 91). Additionally, Britain »effectively restricted access to foreign markets and foreign technologies in an effort to maintain the Gulf as a ›British lake‹« (Davidson 2011a: 7). The Dubai Reform Movement which emerged in the late 1930s and was led by the merchants tried to press for liberal reforms by putting forward social, economic and political demands which, of course, incorporated their specific economic demands but, importantly, also incorporated broader demands for the society as a whole. The Movement had thus managed to gain popular support. However, the Movement was crashed down with the support of Britain. The demands of the Movement were, later, implemented in a limited way by the rulers from above and the increasing income from oil exploration concessions were used to co-opt merchant elites. This co-optation has taken place especially »by removing taxation and granting exclusive construction and

100 It is, however, important to keep in mind that this did not mean that Gulf societies were egalitarian. There were important social and economic inequalities between wealthy merchants and poor fisherman as well as a gender inequality with men dominating public spaces. Moreover, slavery was part of the Gulf society, with slaves from East Africa working in households, in the army or as concubines. Slavery in the region lasted until the 20th century, not least because the spread of Islam in the region only prohibited the enslavement of Muslims but allowed the enslavement of non-Muslims (Commins 2012: 11).

retail licences thereby making them co-beneficiaries of the oil boom« (Davidson 2007a: 879). As the merchants, instead of continuing opposition, chose to work within the existing political and economic order, the period from 1939 onward »was characterized by a great deal of socio-political readjustment as well as economic reforms, all of which were of benefit to the merchant community« (Al-Sayegh 1998: 96-97). As a result, the specific configuration of state-society relations in the beginning of the oil period has specifically taken place in the context of »the international«.

Additionally, the close integration of the region of the Trucial States into the global capitalist economy through oil also played an important role at the state formation process of the UAE. In the late 1960s, oil exports had reached such an important level that Britain wanted to ensure the necessary developments needed for this purpose. However, the oil-richest emirate, Abu Dhabi, was ruled by Sheikh Shakhbut (1928-1966) who was a vehement opponent to a transition to capitalist modernity. He resisted British demands where he could and also tried to hinder any development projects. For instance, he tried to prevent any maps of Abu Dhabi being produced, which were vitally important for oil exploration and production. He also resisted for almost two years the British warning not to award oil concessions to other companies than the British Petroleum Concessions Ltd. (Davidson 2011a: 32-34; Rabi 2006: 42-43). He was not only aware of the effects of the crisis of the 1930s but also feared that changes would lead to the »disintegration of the social fabric of Abu Dhabi« (Zahlan 1989: 93). He was therefore »reluctant to spend« (Davidson 2011a: 32) and pursued a mercantilist policy.[101] He not only hindered infrastructural projects (e.g. roads and buildings) but was also suspicious of banks and modern accounting (Davidson 2011a: 33-35). Thus, »Abu Dhabi's inactive economy« (Davidson 2011a: 35) posed a real threat to Britain's economic interests. As a matter of fact, Sheikh Zayed, who would later become the leader of the UAE during its formal establishment in 1971, had already acquired a lot of experience in administration from the 1950s onward and emerged as a »ruler-in-waiting« who was »more compatible with British interests« (Davidson 2011a: 41-42; see also Rabi 2006: 47-48; Zahlan 1989: 93). In 1958, long before coming to power, he had even stated that »Although the English way of life in general is different from ours, economic development is what we need for the reconstruction of our country« and added that such a path of development was not »contrary to Islamic teachings« (cited in Rabi 2006: 48). It was as such inevitable that Sheikh Shakhbut, facing opposition from Britain as well as from the ruling family, had to be replaced by Sheikh Zayed, who eventually became the leader of Abu Dhabi in 1966 and soon later the leader of the newly established UAE in 1971 (Davidson 2011a: 41-49).

As a result, Britain played an important role at appointing a more compliant ruler and basically pressed for the establishment of a modern state and economic institutions. From the 1970s onward the UAE under the rule of Sheikh Zayed not only initiated development projects in health and social security, but also the needed infrastructure projects. Additionally, the newly formed state created a business-friendly environment and encouraged

101 Against the strong focus on the fact that spending during this period was limited, Rabi (2006: 43) notes that »Shakhbut's Abu Dhabi was a country with healthy accumulated public surpluses, and his personal achievement in balancing the budget and getting out of debt within a short time of coming to power should not be underestimated.«

manufacturing activities. It was also during this period that the state established economic institutions (e.g. chambers of commerce and industry) for the coordination of the economic development. Equally important, from the 1970s onward the state also established a range of financial institutions such as banks to promote the private industry and financial markets (Davidson 2005: 119-139, 208-217).

The international context has been central to the historical development of the UAE. First, Britain has successfully destroyed the Arab trading network in the region. Second, it has also managed to hinder further economic development in the context of the expanding pearling industry. Third, the signing of treaties with rulers was an important factor at undermining the traditional consensus-based political structures. Fourth, the increased importance of oil has resulted in a new configuration of state-society relations giving the ruler the upper hand. Fifth, and finally, the exploration, production and export of oil, and the involvement of Britain, has been central at the state formation process in the UAE and at the establishment of the related state institutions.

The case of Saudi Arabia may serve as another example of the impact of oil. The present-day Saudi Arabia was established in 1932.[102] The political economy of Saudi Arabia until the discovery of oil was »based upon rudimentary and subsistence-based techniques and traditional modes of production« and economic activities were mainly restricted to agriculture and trade (Ulrichsen 2011a: 64). During the pre-oil period especially, merchant families were involved in the pearling trade, in the shipment of Arabian horses to India, and in trade in agricultural produce (Niblock 2007: 35). According to Al-Rasheed (2010: 85) state revenues in the pre-oil period had many sources including *zakat*, taxes imposed on agricultural produce, silver and gold as well as custom duties in the regions of Hasa (Eastern Saudi Arabia) and Hijaz (Western Saudi Arabia). Additionally, the state also imposed the payment of *jizya*, which was an Islamic tax imposed on non-Muslims (affecting especially Christian and Hindu merchants). One of the main revenues of the state during pre-oil period was also revenue from the pilgrimage to the holy places of Islam, Mecca and Medina (Al-Rasheed 2010: 85; see also Niblock 2007: 36).

In 1933 the finance minister of Saudi Arabia signed an agreement with the American company Standard Oil of California (SOCAL) to start exploration for oil.[103] Oil in commercial amounts started to be pumped in 1938. In the following years government revenues steadily increased, from 13.5 million USD in 1946 to 212 million USD in 1952 (Al-Rasheed 2010: 88-90). Niblock (2007: 32) notes that before the beginning of oil exports in 1948 »Saudi Arabia clearly came close to the minimal state model. Up to 1952 the only ministries in existence were those of Finance (founded in 1932), Foreign Affairs (1933) and the Interior (1944).« It was only from 1952 onward that new government

102 The establishment of Saudi Arabia in 1932 is often considered as the third attempt at establishing a state. The first Saudi state was established in 1744 through an alliance between the tribal leader Muhammad bin Saud and the preacher Muhammad bin Abd Al-Wahhab and lasted until 1818 when it was defeated militarily by the Egyptian forces of the Ottoman Empire. The second establishment of the Saudi state took place in 1824 and lasted until 1891 when it was defeated by the forces of Al-Rasheed dynasty from the Northern provinces. From 1902 onward Abdulaziz bin Saud successively recaptured new territories which then culminated in the establishment of present-day Saudi Arabia in 1932 (Ulrichsen 2011a: 63).

103 In 1933, SOCAL placed the oil concession with Saudi Arabia under a wholly owned subsidiary, California Arab Standard Oil Company (CASOC). This company was the precursor of Arabian American Oil Company (Aramco), established in 1944 (Al-Rasheed 2010: 88-89).

ministries were established. Especially the increased extraction of oil from 1948 onward made the establishment of different institutions necessary. This has included the establishment of banks in the 1940s (Vitalis 2004: 159) but also the establishment of other institutions which were necessary »to demarcate national boundaries and determine property rights for oil concession-holders, channel the incoming revenue into material development and the acquisition of support from tribal, merchant and Bedouin allies, and link the economy into world market through oil exports« (Ulrichsen 2011a: 65; see also Al-Rasheed 2010: 91-92). Therefore, »the processes of modern state-formation were intricately connected to the receipt and redistribution of revenue generated by the export of oil« (Ulrichsen 2011a: 65).

One point that is largely neglected in narratives on the modern history of Saudi Arabia is the important role that Aramco played – i.e the Arabian American Oil Company, the later incarnation of SOCAL's California Arab Standard Oil Company subsidiary. Based upon archival research, Robert Vitalis (2004, 2007) illustrates that it was Aramco that even acted on behalf of the US. In his report on the welcoming committee for the arrival of the Saudi King Abdulaziz ibn Saud in the city of Dhahran J. Rives Childs, who was the American ambassador to Saudi Arabia, writes that »there was no American authority in Saudi Arabia competent to ›authorize‹ me or any member of my party to attend the King« (cited in Vitalis 2004: 152). His report »described the visit as one more instance of Aramco executives, employees of a private American firm, improperly usurping prerogatives that belonged to the U.S. government and its representative« (Vitalis 2004: 151-152).[104]

Aramco also played a central role in the development in Saudi Arabia. Thus, it was from the onset involved in most public works undertaken. This has not only included the necessary development of the country's infrastructure, e.g. the construction of roads, pipelines, ports and airports which would facilitate oil extraction and oil shipment to overseas markets. It has also included the provision of schools, hospitals and the establishment of a »quasi-state administration«. It is from this backdrop that Al-Rasheed (2010: 92) notes that Aramco »filled a gap where public services, education and health facilities were underdeveloped and in some parts of the country virtually non-existent. In the absence of a state apparatus, ARAMCO was the state subcontractor.«

There are also two important socio-economic implications of oil extraction/export in Saudi Arabia. First, increased revenues from oil have enabled the establishment and development of the merchant class. Niblock (2007: 33) writes that:

> »merchant families whose influence and contacts with the King enabled them to obtain agencies for the import of particular goods, or contracts for the construction of buildings and infrastructure, benefited greatly. The oil income made possible the import of substantial quantities of consumer goods of all kinds. Those who were in a position to conduct this trade, and to build the palaces and ministries which were now needed, came to occupy strong positions in Saudi Arabia's economy and society«.[105]

104 Vitalis (2004: 152) notes that the US government and its representation in Saudi Arabia were heavily dependent on Aramco organisation and expertise and that »The consul and his staff even depended on Aramco for housing.«

105 Beyond trade, merchant families also acted as subcontracting agencies for transport, labour contracting and laundries (Al-Rasheed 2010: 93; Vitalis 2004: 159).

The second and equally important implication was that the production and export of oil has resulted in the »Emergence of an active working class from the 1950s onward« (Niblock 2007: 33).[106] At the centre of this development lies Aramco. At the initial establishment of the oil production fields most of the workers employed by the company were Saudis followed by Italians, Pakistanis and Indians (Vitalis 2004). Al-Rasheed (2010: 93) notes that Saudi workers:

> »were recruited from among the indigenous Shi'a population of the oases of Hasa, who in 1954 constituted 60 per cent of the ARAMCO Saudi workforce [...]. Others came from among the sedentary population of the oases in the eastern province and Najd. Bedouins were also attracted to menial jobs revolving around drilling, construction, driving, clearing and cleaning sites.«

One of the most important facts regarding Aramco's involvement in oil production in Saudi Arabia has been its attempt to establish a specific spatial organisation of work and life at its camps. As Robert Vitalis (2004, 2007) has illustrated in detail »Norms of separate and unequal rights and privileges structured work and life inside the camps in the 1940s and 1950s« (Vitalis 2004: 154). The rigid racial segregation put American workers at the first place followed by Italian workers and, at the lowest level, by Saudi workers with bad working and living conditions (Commins 2012: 137-138; Al-Rasheed, 2010: 92).[107] Contrary to the »American Camp« where American workers were housed,[108] the »Saudi camp was open and unfenced, and, at first, bereft of all basic services: water, power, sewers, and so on. These came later, and slowly, after a series of strikes by its residents« (Vitalis 2004: 161).[109]

Vitalis (2007) argues that this racial segregation in the Aramco camps strongly resembled the Jim Crow laws in southern America from the mid-19th century onward, and that dividing the working class along racial lines was a means of gaining social control and to hinder the organisation of effective unions. Additionally, dividing the workers along racial lines and dividing the workers among themselves principally allowed the keeping down of labour costs.[110] As a culmination of the above described circumstances »The oil industry became the arena for the region's first labour movements as workers in the oilfields, transportation and construction organized trade unions to strike and demonstrate for better working conditions« (Commins 2012: 122). Already in 1945 there were labour protests over pay and working conditions, resulting in some concessions by Aramco without, however, being accompanied by improved living conditions.[111] In 1949, there were protests by Pakistani workers who complained about being treated as »niggers« and demanded better working and living conditions and wanted to establish trade unions. They were handed over to the police and then deported to Pakistan without any regard

106 Commins (2012: 163) notes that the »oilfields were incubators of a modern working class.«

107 By the mid-1950s Aramco had established »intermediate camps« with better conditions for nonindigenous but non-American workers because of increased protests, especially by Italian workers who complained that »they were being forced to live with ›Orientals‹« (Vitalis 2004: 162).

108 Vitalis (2004: 160-166) calls this camp »white man's camp«.

109 Al-Rasheed 2010 (94) describes these Saudi camps as the »›slums‹ of ARAMCO«.

110 As the US consul general visited the camps he condemned the residences of the non-American workforce as »a disgrace to American enterprise« (cited in Vitalis 2004: 162). But Aramco emphasised the importance of non-American workers for high turnover rates due to lower rates of payment.

111 Commins (2012: 138) notes that the concession included the sending of a few Saudi employees to Beirut and Cairo for business training in order to meet the demands for a promotion.

for the terms of contract (Vitalis 2004). A new and more lasting wave of riots and strikes by non-American workers occurred in 1953.The workers demanded better working and living conditions, the recognition of the workers' movement, and the possibility of establishing trade unions (Al-Rasheed 2010; Vitalis 2004). Aramco called the Saudi state to intervene and argued that the target of the workers' movement was the government and not the company, despite the fact that the workers' petitions and telegrams to the crown prince and his agents were customarily deferential and made clear that their demands were for the end of discrimination against them (Vitalis 2004).

Initially, the Saudi state was aimed at not intervening and urged Aramco to solve the problems with the workers themselves. However, as the protests and strikes grew the state intervened and Saudi troops crashed down the movement. Finally, at the end of October 1953:

> »hundreds of Saudis had been jailed and the army moved into the workers' camps in Dhahran, Abqaiq, and Ras Tanura. Aramco officials cooperated with the authorities in interrogating workers while the army searched the quarters for communist literature. Fifty Aramco workers were deported to Riyadh before the strike finally collapsed on October 27« (Vitalis 2004: 171).

It was after the defeat of the workers' movement that Saudi officials pushed Aramco to make concessions and to implement the demands of the workers. Al-Rasheed (2010: 96) notes that as a result »By 1957 ARAMCO's basic wage scale had more than doubled, and the average annual income among all Saudi employees had risen to $1,300.«

What the Saudi case illustrates is that its modern development is equally to be considered within the international context. First, although compared to the state formation process of the UAE Saudi Arabia could be considered as inhabiting a more »autonomous« process, the formation of the modern Saudi state and the establishment of the related ministries and institutions was closely tied to the discovery and exploration of oil which linked Saudi Arabia closely to the global capitalist economy. What is intriguing is the strong involvement of Aramco, which »facilitated the emergence of the first wave of Saudi administrators, technocrats, civil servants and oil millionaires« (Al-Rasheed 2010: 96). Second, the socio-economic impact of oil reveals itself also in the emergence and establishment of a nationally based capital in a range of economic sectors linked to oil exploration/export. This process was principally enabled by the Saudi state granting exclusive trading and construction licences to nationally based capital. Third, it has been also oil that has resulted in the emergence of a modern working class in the region. The use of non-American workers (especially of Saudi workers) as a cheap source of labour as well as the specific spatial configuration setup by Aramco are illustrations of first attempts in the region to separate workers along racial lines in order to hinder lasting interactions and to enable the undisturbed ongoing supply of cheap labour. The next parts of this study on the living and working conditions of contemporary migrant workers will reveal important similarities to those of the Saudi workers in the 1940s and 1950s. Fourth, and equally important is the fact of the emergence of an active and conscious workers' movement during this period, which, although crashed down, had lasting impacts. On the one hand, the strong influence of this movement had an impact on the establishment of workers' organisations. Thus, although Aramco repeatedly stated that labour unions were illegal in Saudi Arabia at that time, there was in fact »no known basis for the belief« (Vitalis

2004: 171). It was only after the long period of workers' strikes from 1945 to 1956 that the state eventually made strikes illegal (Vitalis 2007). Insofar, the current rigid regulation of labour needs to be thought of in the context of these historical instances. On the other hand, it has also been the strong influence of the workers' movement (and, importantly, the increased influence of Arab nationalism) throughout the 1940s, 1950s and 1960s that has resulted in the replacement of Saudi workers by migrant workers. It is within this process that »Saudi workers were drawn into the state, with guaranteed job security and numerous privileges of citizenship [...] while migrant workers filled positions in the rest of the economy« (Hanieh 2011: 61-62).

2. Commodity flows I: Situating the Gulf region in global trade

2.1. Historical importance of the region

Although the field of IR/IPE has paid little attention to it the Gulf region has – as already indicated in the previous section - played a significant role within global trade. According to Commins (2012) the ancient country of Dilmun, whose exact location is unknown but is assumed to have been located in the region around contemporary Bahrain and al Hasa (Saudi Arabia/Eastern Province), emerged as an important trading centre between 3000-2500 BCE. Thus, more than 4000 years ago traders and sailors of the region »were laying foundations of an integrated economy of production, manufacture and exchange. They transported timber, tin and copper from the southern end of the Gulf to Mesopotamia« (Commins 2012: 13). Ceramic finds and sculpture fragments also indicate contacts between Mesopotamia and the Indian subcontinent that took place through the intermediation of the Gulf region (Lawler 2002). It is during this period that the region's »coastal dwellers turned the waters into a highway for transporting goods up and down the Gulf, tapping sea and land routes that connected India, Iran, Arabia, Mesopotamia and Syria« (Commins, 2012: 14).[112] This historical importance of the region is also acknowledged by the Economist Intelligence Unit's analysis of the region's role in global trade (EIU 2014a: 111) and supported by many archaeological finds in the region.[113] This means that at least until the 16th century »The Gulf […] did become a permanent and essential part of the growing Eurasian world economy« (Commins 2012: 17).

It is important to note that the historical pattern of trade between the Indian subcontinent and the Gulf region endured throughout history. In his analysis of trade in the region from 15th to 18th century, Barendse (2000) illustrates that there was an intensive trade between India and the Gulf during this period and that the Arabian Sea was pivotal in this sense. Through this trade, commodities such as textiles, pepper, sugar, wood and rice from India were delivered to the Middle East and exchanged mainly for silver, copper and gold, as well as quasi-currencies like cowry and *badam*. This pattern of trade was, however, not limited to trade between the Indian subcontinent and the Gulf region.

112 Commins (2012: 13) notes that the decline of Dilmun as an important trade centre began around 1750 BCE »owing to troubles in the two civilizations it connected, the Indus and Mesopotamian.«

113 Lawler (2002) reports from an archaeological find in As-Sabiyah in Kuwait in 2001. There, archaeologists found the undisturbed remains of a boat »which they say represent the world's oldest known boat« dating back 7000 years and which would indicate that trade with the region dates back even more than 4000 years (Lawler 2002: 1791).

Important trade routes such as the roads via Suez, through Anatolia and the Syrian deserts, and the Caucasus and the Crimea »already closely linked the Arabian seas, the Mediterranean, and Eastern Europe before the sixteenth century. And continued to connect, for, until at least the late sixteenth century, the bulk of the ›European‹-›Asian‹ trade was conducted via the Levant, and that commerce was closely related to that of the Arabian seas« (Barendse 2000: 183).

It is from this backdrop that Barendse (2000: 176) points to the importance of ports in the region that constituted vital nodes, and argues that the importance of these ports could be grasped by the concept of »ports of trade«, which was introduced by Karl Polanyi and refers to »places where two different economic systems encounter each other.« It is in this context that trade itself linked different merchant networks and influenced the development in the regions of the trading partners: »The Meditarranean, the Arabian seas, Eastern Europe, and the Central Asian steps were closely tied together [...], not just in a single network of commodity flows but of interlocking merchant networks, too« (Barendse 2000: 185). Worth mentioning is the fact that from the early 15th century onward »Venetian merchant houses had [...] established a network of correspondents and associated merchant firms stretching from Venice to Aleppo, Baghdad, and Basra, overseas to Hormuz and Diu and over land to Tebriz, and probably Mashed and Samarkand as well« (Barendse 2000: 187). What this implies is that the common assertion that Europe's rise was accompanied by Asia's decline may not reflect the reality. Because the developments in the Arabian seas had a powerful impact on development in Europe, and vice versa, »the European revival after 1450 appears to be connected with a revival of trade in both the Levant and in the Arabian seas« (Barendse 2000: 190).

It has also been the enduring importance of historical ties between different regions of the world and the geographical location of the Gulf region »as the passage-land from Europe to the Indies and from the Northern to the Southern Heartland« (Halford J. Mackinder in 1919, cited in Engdahl 2004: 47), which resulted in conflicts between different world powers to dominate the trade routes in the region in order to secure their trade. In the 16th century the Ottoman Empire tried to challenge the Portuguese domination in order to rule over the region (whereby the location of holy sites in Saudi Arabia was an important rationale for this attempt); in the 17th century Britain and the Netherlands challenged the Portuguese; and in the 19th century Britain, France, Germany and Russia challenged each other to establish their influence in the region. From the 19th century until the early 1970s it has been especially Britain and the East Indian Company that have dominated the trade routes in the region, whereas power has shifted to the US from the 1970s onward (Commins 2012).

2.2. Contemporary importance of the region

Beyond the historical importance of the Gulf region described above the region still plays a central role as it constitutes a »critical node in the global economic system« (EIU 2014a: 5). Thus, in 2014, the Gulf countries ranked 5th worldwide in terms of total merchandise trade valued at 1,335.8 billion USD. They ranked 4th in total merchandise exports amounting to 860.2 billion USD, and 12th in total merchandise imports of goods valued at 475.6 billion USD (GCC-STAT 2016a: 33). According to data from the WTO (2016c:

95) Gulf countries, especially the UAE, Saudi Arabia, Kuwait and Qatar, were also among leading exporters and importers in 2015.

One indication of this importance is the Gulf region's position as a trade hub between the East and the West. Gulf States have put ever more efforts to strengthen this position, especially from the 1990s onward. For instance, Rassem Zok, who is the CEO of Standard Bank for the Middle East and North Africa region, says: »If you look at the GCC members, they have been increasingly important in the world economy over the past 15 to 20 years, not only because of their massive oil and gas reserves, but also because of the way that the countries are positioning themselves as important hubs« (cited in EIU 2014a: 5). It is from this backdrop that Gulf countries have been ambitious to develop their transport and trade infrastructure. The leading states in this respect are the UAE and Qatar. But other states have started to follow. Oman, for instance, is advancing its transhipment capacity; Kuwait is developing its logistical capacity; and Saudi Arabia is investing in its Red Sea ports. An official from the Saudi Arabian General Investment Authority (SAGIA) notes for instance that »Saudi Arabia's good location makes it an easy access for the European, Asian and African markets« (cited in Abdul Ghafour 2013).[114] Saudi Arabia cooperates with many international businesses. Fraport from Germany, for instance, is involved in establishing an air transport system whereas DB Schenker, again from Germany, is involved in developing the railway transport system (Thomas 2009).

So far, the Western countries remain major trading partners of the Gulf States. Europe is an important trading partner (EIU 2014a). Especially Germany, Italy, the UK, France and Switzerland have been important source countries for exports to Gulf region. Together these countries accounted for more than 20% of imports to the Gulf countries (Table 1). The exports to the Gulf region thereby mainly include manufactured products like power generation plants, railway locomotives, electric machinery and mechanical appliances; and machinery and transport equipment and chemicals.[115] The US is another important trading partner. In 2013, US exports to the region grew by 7.5%, compared with export growth of 2% to global markets (EIU 2014a: 18). In 2014, the US accounted for almost 12% of imports in the Gulf region (Table 1). The UAE and Saudi Arabia accounted for one-half of exports from the US, with the UAE positioned as America's top partner, importing goods to the value of 24.6 billion USD. Main imports from the US included transportation equipment, computer and electronic products, and non-electrical machinery (EIU 2014a: 18).

The increased importance of the region for imports can be also observed by looking at the table below (Table 2) which illustrates that, with the exception of the period covering the more recent global economic crisis, imports by Gulf countries continuously increased from the late 1990s onward. This is also reflected at the share of imports at GDP, which ranges between 65% and 75% for Bahrain and the UAE,

114 It is important to point to the fact that Gulf States' efforts for establishing themselves as trade hubs should also be considered in the context of their accession process to the WTO from the 1990s onward. See on this, for instance, the Arab Law Quarterly (2001: 50), which states that the UAE made »great efforts to adopt WTO guidelines« and that Western countries, especially the US, considered Saudi Arabia's WTO membership (which has finally taken place in 2005) as »a unique opportunity for a liberalisation and reform of the Saudi economy.«

115 See http://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/ (accessed 30.03.2016).

and between 20% and 40% for Kuwait, Oman, Qatar and Saudi Arabia (Gani 2011: 202-203).

Table 1: Distribution for Gulf countries' imports by key exporter countries, 2014 (%)

China	13.2
USA	11.9
Germany	7.0
Japan	6.9
India	6.6
South Korea	4.2
Italy	3.6
UK	3.5
France	3.1
Switzerland	3.1

Source: GCC-STAT (2016a: 29)

Table 2: Gulf countries' imports of goods and services, 1998-2011 (in bn USD)

	Average 1998-2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bahrain	4.7	6.2	7.0	8.6	10.6	12.3	15.7	11.1	12.8	13.7
Kuwait	12.6	16.5	19.2	24.5	27.4	32.5	38.2	32.3	35.0	39.6
Oman	6.8	8.3	10.6	13.1	16.4	19.4	26.6	21.5	24.4	28.2
Qatar	5.2	6.7	8.3	13.2	19.7	27.2	35.0	30.1	38.0	47.9
Saudi Arabia	51.4	59.1	70.6	88.2	120.2	145.3	176.7	162.1	174.2	198.0
UAE	40.4	57.7	78.5	99.0	123.6	166.1	219.7	187.3	203.1	246.8

Source: IMF (2007: 46), IMF (2012: 106)

One important trend regarding the pattern of trade is that there is an increasing shift towards Asia which has started to constitute an important region for Gulf imports and exports (Table 1, Table 3). Thus, the EU Counsellor for Trade in Riyadh, Saudi Arabia, notes that »Obviously we are observing increasing competition from the Far East and China« (cited in EIU 2014a: 18). The Deputy Chief Economist and assistant General Manager of the Samba Financial Group in London adds that »Six or seven years ago the EU accounted for about 31% of Saudi's imports, but now that is down to 25%, while China has doubled its share during the same period« (cited in EIU 2014a: 19). The development of this new relationship between the Gulf and East Asia has also been noted by other scholars emphasising that hydrocarbon exports from the Gulf region are increasingly moving to the East whereas Gulf countries import textiles, electrical goods, cars, machinery and building materials from Asian countries (Davidson 2011d; Thorpe and Mitra 2008: 116-117).[116] Already in the mid-2000s the IMF had estimated that between 1981

116 Davidson (2011d) notes, however, that military imports are still limited to the US, Britain and France.

and 2004 the share of imports from the US and other Western countries decreased by around 15% whereas imports from China and other countries from the non-West increased by the same amount (Abboud 2011: 97).

Table 3: Gulf countries' exports and imports by region, 2013 (%)

	Exports	Imports
Asia	67	40
West	18	45
Rest of the world	10	7
GCC	5	8

Source: EIU (2014a: 5)

The increased importance of China as a trade partner has been emphasised especially. According to official data from the GCC-STAT (2016a: 22) in 2014 China was the key trade partner for total imports of Gulf countries and the largest increase in Gulf imports in the same year was recorded by China. It has been further noted that China has become the largest exporter to the Gulf leaving the US behind, and that Gulf countries »have become the largest oil suppliers to China, meeting about 35% of its total crude oil needs in 2012« (Salacanln 2014). Regarding the overall trade »the National Bureau of Statistics of China reported that, from 2000 to 2009, bilateral trade volume between China and the GCC states increased with an average annual growth of remarkable 57.8%. The trend is expected to continue in the future« (Salacanln 2014).[117] The EIU (2014a: 9) also points to the increased importance of China for the region and notes that during 2010-2013 trade between Gulf countries and China grew at a rate of 30% for exports and 17% for imports, and that »By 2020, the largest share of GCC exports will go to China, at around US$160bn, with other emerging markets growing their share at the expense of the West. China will also dominate the import market, providing about US$ 135bn of goods to the Gulf, nearly double the value in 2013.«[118]

One final point regarding the importance of the region in terms of trade is that the region also plays a central role regarding re-exports which accounted for 10.2 percent of total exports from the Gulf region (GCC-STAT 2016a: 25). Especially countries of the non-West were important importer countries of re-exports (Table 4).

117 Thorpe and Mitra (2008: 116-117) note that bilateral trade between China and the Gulf region increased from 1.5 billion USD in 1991 to 10.1 billion USD in 2000 and to 33.8 billion USD in 2005.

118 The EIU (2014a: 15) notes that aside from China other East Asian countries such as Japan, South Korea and Taiwan are also important trade partners so that »Toyota Land Cruisers and Samsung phones are ubiquitous across the Gulf, and Japan and South Korea have been a source of capital equipment in the hydrocarbons sector. The LNG tankers transporting Qatari gas around the world are manufactured in South Korean shipyards. In 2013 Japan and South Korea were respectively the fifth- and seventh-largest sources of imports for the GCC.«

Table 4: Distribution for Gulf countries' re-exports by key importer countries, 2014 (%)

Iran	17.2
India	9.1
Iraq	8.5
Belgium	6.5
Hong Kong	4.8
United Kingdom	4.3
China	4.0
Switzerland	3.7
USA	3.0
Afghanistan	2.5

Source: GCC-STAT (2016a: 28)

Especially the UAE »as the main commercial hub of the Middle East« (WTO 2006: 21) plays a central role regarding re-exports. Popal (2015) notes that the UAE has been historically an important geographical point for global trade and that »Before Dubai became known around the world as the home of glittering skyscrapers, manmade islands, and the world's tallest building, the city was already one of the world's largest trading zones, a superlative it can still lay claim to.« Within contemporary global trade UAE's historical importance, especially regarding its geographical location between Asia, Africa, the Middle East and Europe, has been central for its role for re-exports. The share of non-oil exports in the UAE thereby increased from 5 per cent in 2000 to 11 per cent in 2011 and to 24 per cent in 2014. As a re-export hub the UAE ranks first in the Arab world (IMF 2016: 7; WTO 2012a: 6). According to official data from the UAE, the country was in 2013 the third-largest re-export market in the world (following Hong Kong and Singapore) with re-exports staying at 42 billion USD (UAE 2013).Thus, a sheer amount of commodities are here »in transit« as they come in through Dubai before being traded off to a variety of countries.[119] The UAE has also with Jebel Ali the biggest port in the Middle East (Popal 2015). But aside from its geographical position it is also »the easy seaport access, favorable government regulations, tax-free environment, and trade embargoes on a number of surrounding countries that have helped establish the city (and the UAE as a whole) as the leading trade center in the region« (Popal 2015; see also WTO 2012a).

In summary, then, the Gulf region has historically been an important node within the global trade and this importance is also evident within contemporary global trade. This is

119 Re-exports mainly include gold, jewellery followed by plastics, cars, phones, fibreglass and food. Worth mentioning is that almost half of the UAE's food imports are re-exported to the Gulf and other countries in the Middle East and Africa (UAE 2013: 64). It should be also noted in this context that re-exports from the UAE are generally important for the Gulf region. The DCCI (2015) notes, for instance, that exports and re-exports of its members to other Gulf countries grew from AED 17 billion in 1998 to AED 180 billion in 2014.

visible in the region's importance for imports, exports and re-exports, and it is also reflected in the increased attempts of Gulf States to further develop their infrastructure in order to enable more trade.[120] There have also been many attempts to conclude Free Trade Agreements (FTA) in order to enhance more trade.[121] The importance of the region regarding commodity flows also illustrates that there is a shift taking place towards more trade with Asian countries.[122] Regarding exports, one has to note that, although still on a lower level, there is an increase in the export of manufactured goods, especially of petrochemical products (Gani 2011). Thomas (2009), for instance, writes that it is expected that in the near future exports of petrochemicals from Saudi Arabia will grow rapidly.[123] It remains, however, a matter of fact that Gulf countries are heavily dependent on exports (mostly oil), ranking first in trade balance surplus worldwide in 2014 (Table 5, Table 6).

Table 5: World ranking in trade balance surplus, 2014 (bn USD)

Gulf countries	384.7
China	380.1
Germany	291.2
Russia	211.8
Netherlands	83.5

Source: GCC-STAT (2016a: 26)

Table 6: Total export trade in Gulf countries, 2014 (%)

Oil exports	76.0
Non-oil exports	13.8
Re-exports	10.2

Source: GCC-STAT (2016a: 25)

Regarding this importance of oil for the Gulf countries as well as for the global economy, it is worth taking a closer look at this commodity.

120 The EIU (2014a: 8) also points to the fact that aviation has also become a leading sector in Gulf countries: »The region sits between Europe, Asia and Africa, with one-third of the world's population living within four hour's flight. Traditionally, Gulf airlines focused on the domestic market, but by the turn of the millennium Emirates had begun leveraging geographical advantage to capture transit flows. That connectivity helped the airline to move into freight and supported Dubai's growth. This business model was soon emulated by Qatar Airways and Etihad.« Importantly, their steady development within intercontinental flights is »taking market share from the struggling European flag carriers« (EIU 2014a: 8).

121 Some of the already signed FTAs include the GCC-EFTA (2009), the GCC-Singapore FTA (2008), the GCC-New Zealand FTA (2009) as well as bilateral FTAs between the US and Bahrain and Oman. Still under negotiation are FTAs with China, the EU, Australia, India, Pakistan, Japan, the Republic of Korea and Turkey (WTO 2016a: 27)

122 An assistant general manager notes that also »Africa is on the radar screen of a lot of the countries in the Middle East« because it is regarded »as one of the final remaining frontier markets with significant opportunities … and the GCC countries are very aware of this« (cited in EIU 2014a:16) A former chief economist at the Dubai International Financial Centre (DIFC) and member of the IMF's Regional Advisory Group for MENA believes that Africa offers high-yield opportunities. He asks »Why should the GCC countries invest in US Treasury bills at 0.5% yield when next door you can have risk-adjusted returns on investments of 15-30%?« and adds that more can be done to capitalise on the Gulf's geographical position between Africa and China (cited in EIU 2014a: 17).

123 The export of petrochemicals is also important for the ongoing negotiation of the EU-GCC FTA. Thus, Antkiewicz and Momani (2009) note that Gulf countries want to increase their exports of petrochemical products (and of aluminium, another main product on the rise in Gulf region) to the EU, but that the petrochemical lobby in the EU, supported by labour unions, has strongly opposed these attempts.

3. Commodity flows II: Oil as a »strategic commodity«

3.1. Importance and implications of oil for the global political economy

Oil has been a central commodity for the global political economy especially from the 20th century onwards. Its importance reveals itself if looked at where it plays a central role. First of all, many different kinds of mobility are dependent on oil. Bridge (2010: 523) notes that »Providing the bulk of the world's liquid fuels, conventional crudes underpin the mobility of people and goods in the form of kerosene jet fuels, gasoline and diesel for rail and road haulage, and the bunker fuels that power ocean trade.« Second, oil is also central to modern war fighting so that »the US military, for example, consumes about the same amount of oil as a national economy the size of Greece« (Bridge 2010: 523; see also Hanieh 2011: 35). Third, oil has been central to the post-war political economy and has not only constituted one of the main basic materials for production processes but was also a central aspect of American hegemony during the post-war period (Hanieh 2011; Bromley 1991). In line with this, Gill and Law (1988: 256) note that oil was the major form of energy which was consumed in the post-war period and that »Oil, because of cheapness, availability, flexibility and relative ease of transportation, became the primary energy source for most industrial nations« (see also Bromley 1991: 87). Fourth, and finally, oil is also a basic feedstock for the production of petrochemical products such as plastics (Hanieh 2011: 33). It is from this backdrop that Bridge (2010: 524) writes that »The scale of contemporary oil use is staggering: 1000 barrels a second, 83 million barrels a day, 30 billion barrels a year.«

A special focus on the post-war period, which is closely linked to the story of oil, is important. The post-war period had resulted in a new international state system and in a change in the structure of global political power in which the US emerged as a »hegemonic guarantor« (Elmar Altvater, cited in Hanieh 2011: 32) for the post-war economic order. But the post-war period also witnessed a change in the production system and a related increase in the scale and variety of produced goods. The emergence of the petrochemical industry in the 1930s brought a range of new products, which not only included plastics, synthetic fabrics, detergents, but also fertilizers and pesticides that replaced natural agricultural methods. A key feature in this process was that during the post-war period oil constituted the feedstock used in the production of these commodities. An equally important trend during the post-war period has been that the production of cars witnessed an immense increase. Finally, the post-war period also witnessed a growth in world trade as well as the internationalisation of production. These developments together reinforced the development of the transport sector especially the increase in commercial flights and the expansion of rail networks. Here too, oil was a central element enabling the development and functioning of this sector (Hanieh 2011: 29-55).

3.2. Oil and the Gulf region

It is from the above described backdrop that in the post-war period oil had become a »strategic commodity« (Bromley 1991: 46-84).[124] Compared to coal, which has been the

124 Gill and Law (1988: 256) note that »For economic energy and military reasons, all states have been concerned to assure stable supplies of energy as an essential aspect of their security. Because so much rests

main source of energy before, oil had a greater energy density and could be easily transported (Hanieh 2011: 35). The above mentioned structural changes during the post-war period and the centrality of oil to the global political economy brought the region of the Middle East with its huge reserves of oil to the fore with the result that world oil production witnessed a shift towards the Middle East (Table 7).

Table 7: World oil production by region (%)

	1945	1973
North America	65	21
Central and South America	16	9
Middle East	7	38
China and the soviet Union	10	17

Source: Bromley (1991: 86)

Halliday (2005: 83) notes in this context that

> »Prior to World War I oil exploration had been limited to Iran and what was later to be northern Iraq, then part of the Ottoman empire; but with the transfer of the British navy from coal to oil in 1914, and the growing world market interest in oil, the availability of oil in the Gulf, especially Iran, and the security of its transport came to have increasing importance.«[125]

Until the 1970s oil in the region had been under the control of a small number of companies that were supported by the US and Britain (Tétreault 2011: 9). The so called »seven sisters« thereby mainly controlled the oil industry from the 1920s to the late 1960s (Table 8) and »colluded over prices and in their bargaining with governments« (Gill and Law 1988: 90; see also Hanieh 2011: 37).

Table 8: Seven sisters' production shares of world oil market (%)

	1950	1957	1969
Largest four companies (Exxon, BP, Shell, Gulf)	82.6	69.5	55.8
Largest seven companies (big four plus Standard Oil of California, Texaco, Mobil)	98.3	89.0	76.1
All others	1.8	11.1	23.9

Source: Gill and Law (1988: 257)

A significant turning point occurred as the prime minister of Iran, Mohammed Mossadegh, nationalised the British-owned Anglo-Iranian Oil Company (AIOC, later BP) in 1951, whereupon he was toppled in 1953 through a coup d'état supported by Britain and the US. Another important turning point was the establishment of the Organization of Petroleum Exporting Countries (OPEC) in 1960, which became an important institution regarding the production and the setting of prices of oil. This period from the 1950s

upon energy supply, it would be plausible to claim that energy industries, and oil in particular, are strategic industries, par excellence.«

125 Commins (2012: 121) notes that by 1950 more than 80% of Britain's petroleum was obtained from the Gulf region.

onward on the one hand signalled the decreasing share of international oil companies at the production of oil, and on the other hand marked the start of the diminishing influence of Britain in the region, which was gradually replaced by the US (Hanieh 2011: 38-39).

Although Iran and Iraq were two countries with major oil reserves, the Gulf countries constituted another major region within the Middle East that possessed huge oil reserves, which were discovered from the 1930s onward (Table 9). The first oil in the Gulf region was struck in 1932 in Bahrain. In 1938, an American oil company found oil in the al-Hasa region (later renamed Eastern Province) of Saudi Arabia. But large-scale production took place only after World War II, and it was during this period that the US established military bases near the installation of the American oil company Aramco in the city of Dhahran (Commins 2012: 137-138). The first oil in the UAE (which was then part of the Trucial States) was struck in the post-war period in 1958 (Rugh 2007: 8).

Table 9: Oil discoveries in the Gulf countries

	Year
Bahrain	1932
Kuwait	1938
Saudi Arabia	1938
Qatar	1939
UAE (Abu Dhabi/Dubai)	1958/1966
Oman	1962

Source: Ulrichsen (2015: 14)

Until now the Gulf region has kept its significant role regarding the supply of oil. Thus, Gulf States »collectively have the largest proven oil reserves in the world and are among the world's largest oil-exporting states« (Momani and Legrenzi 2011: 1). In 2014, these countries together accounted for almost one third of the worldwide proved oil reserves, whereby Saudi Arabia and the UAE were those countries with the most reserves in the GCC region (Table 10, Table 11).[126]

Table 10: Proved oil reserves, 1994-2014 (1000 million barrels)

	1994	2004	2014
World	1118.0	1366.2	1700.1
Kuwait	96.5	101.5	101.5
Oman	5.1	5.6	5.2
Qatar	3.5	26.9	25.7
Saudi Arabia	261.4	264.3	267.0
UAE	98.1	97.8	97.8

Source: BP (2015: 6)

126 Note that natural gas is another major natural resource in the Gulf region. Thus, in 2014, the total share of the Gulf countries at worldwide proved reserves of natural gas was 22.3%, whereby Qatar alone accounted for 13.1% and Qatar, Saudi Arabia and the UAE together accounted account for almost 10% of the worldwide production of natural gas (BP 2015: 20, 24).

Table 11: Gulf countries' share in the proven world oil reserves, 2014 (%)

Kuwait	6.0
Oman	0.3
Qatar	1.5
Saudi Arabia	15.7
UAE	5.8
Gulf, total	29.3

Source: BP (2015: 6)

Aside from their significant share in the worldwide proven oil reserves, Gulf countries are also important regarding the production of oil, and to a lesser degree, natural gas. According to data provided by the International Energy Agency (2016), in 2014 their share at the production of oil and natural gas liquids (NGL) was almost 23% (Table 12). Similarly, they are also major exporters of oil and NGL and have accounted for more than 30% of worldwide exports in 2014 (Table 13).

Table 12: Gulf countries' crude oil and natural gas production, 1990-2014 (millions of barrels per day)

	1990	2000	2010	2014
Bahrain	9,691	9,696	9,451	10,471
Kuwait	46,337	104,706	122,995	151,652
Oman	35,165	50,266	42,487	46,474
Qatar	21,532	36,549	69,097	79,897
Saudi Arabia	341,817	435,816	461,099	541,003
UAE	91,693	120,837	129,757	153,519
Gulf, total	546,235	757,870	834,886	982,817
World, total	3,186,705	3,644,292	4,079,288	4,331,378
Gulf share at the world production[1]	17,1%	20,8%	20,5%	22,7%

Note: 1. Own calculation

Source: International Energy Agency (2016)

Table 13: Gulf countries' crude oil and natural gas exports, 1990-2014 (1.000 tonnes)

	1990	2000	2010	2014
Bahrain[1]	-	-	-	-
Kuwait	31,799	61,757	69,976	101,123
Oman	31,994	46,954	36,386	39,221
Qatar	17,082	33,345	44,856	49,871
Saudi Arabia	240,542	311,673	290,161	354,132
UAE	77,955	93,188	102,999	125,126
Gulf, total	399,322	546,917	544,378	669,473
World, total	1,540,315	1,982,417	2,112,179	2,112,492
Gulf share at the world production[2]	25,9%	27,6%	25,8%	31,7%

Notes: 1. Data on Bahrain nor provided; 2. Own calculation

Source: International Energy Agency (2016)

In summary, then, the fact that oil turned into a »strategic commodity« of the post-war economic order, and the fact that the Gulf region is one of the most important regions possessing huge oil reserves, and accounts for a considerable share of oil production and oil exports, makes the region a central node of the global political economy. Thus, beyond the importance of the GCC countries for global trade, the exploration, production and export of oil additionally »have locked these countries firmly into global capitalist networks« (Tétreault 2011: 9). For the time being the importance of oil and of the region seems to remain central to the global political economy, despite remarkable fluctuations in oil prices and the recurring debates on »peak oil«.[127] Importantly, however, it will be seen in the next chapter that the considerable dependence on oil has resulted in diversification policies which were also central at the development of a private sector.

4. Money flows: The Gulf region within the global financial system

Beyond its importance for commodity flows within the global political economy the Gulf region is also central to money flows and plays an important role within the global financial system. This importance can be demonstrated, first, by illustrating the importance of »petrodollars« during the 1970s and 1980s and, second, by illustrating the role of SWFs from the region for the contemporary global financial system.

4.1. Petrodollars, the debt crisis and American hegemony

The debt crisis of the 1980s constitutes a central part of IPE textbooks and it is especially within this context that »petrodollars« are considered to be important during this period. On the one hand, the increase in oil prices in the early 1970s, the related world recession, and the drop in the prices of other raw materials have resulted in a drop in export earnings of the so-called least-developed countries (LDCs). Hartland-Thunberg (1977) notes that in 1975 the aggregate current account deficit of these countries was roughly ten times worse than before the oil crisis (2.5 billion USD in 1973 and almost 30 billion USD in 1975) and that as a consequence these countries turned to the private banking system as a last resort to get support for their balance-of-payments. Thus, from 1973 to 1975 credits from commercial banks to the non-oil countries more than doubled, increasing from

127 Bridge (2010: 523) notes that »peak oil« refers to the decline of oil production due to the geophysical limits to its availability. Importantly, Bridge (2010: 524) writes that the argument of »peak oil« dates back to the early 20th century as the United States Geological Survey (USGS) »predicted in 1919 that domestic oil resources – which at the time supplied a large proportion of the world's oil needs – would be depleted within a decade, precipitating an ›oil panic‹ that drove the opening of the federal lands for oil development […]. In the early 1970s, the Club of Rome report on the Limits to Growth claimed that global oil reserves would run dry within 20-30 years. Such episodic crises over oil's availability cast a long shadow over contemporary claims for global oil depletion. The long view is particularly attractive to peak oil's detractors, who point out how ›this is the fifth time that the world is said to be running out of oil‹ and such ›cycles of hysteria followed by new bonanzas have continued to the present‹« (Bridge 2010: 524). The importance of the »peak oil« argument for the contemporary period is that cheap oil has become central to modern ways of life so that »the economic and political dependencies that have been built around it have ensured that the prospect of peaking and depletion have garnered considerable international attention. Together with climate change, peak oil has emerged as a recurring storyline in public debates through which a post-carbon future is being slowly imagined« (Bridge 2010: 524).

about 10 billion USD to about 23 billion USD.[128] On the other hand, the increased oil prices had resulted in increased incomes for oil exporting countries. The price of a barrel of oil increased from about 2 USD in 1973 to almost 12 USD in 1974 (Hanieh 2011: 43). As a result, the balance of payments surplus of OPEC countries increased from 3.5 billion USD in 1973 to 40 billion USD in 1974 (Hartland-Thunberg 1977: 56). Thus, increased financial surpluses of oil exporting countries on the one hand and the increased indebtedness on the other hand enabled to bring together the »supply-side« and the »demand-side« (Afxentiou and Serletis 1996) so that the »surpluses, called *petrodollars*, provided the financial resources that developing countries needed to cover greater demands for foreign capital« (Oatley 2012: 305, emphasis in original). This process was intermediated by commercial banks which received incomes from oil exporters and lent them to other states.[129]

The Gulf States were, of course, among those oil-exporting countries receiving huge amounts of oil incomes. Due to high oil prices in the 1970s and 1980s Gulf countries accumulated financial surpluses which were then recycled through the global commercial banking system to the oil-importing and indebted countries so that global imbalances were largely corrected (Abboud 2011: 94-96). It is from this moment on that »the Gulf's role in the global economy was not just tied to its hydrocarbon exports, but also linked to the ways in which its petrodollars were utilized in global financial circuits« (Hanieh 2011: 43). As a consequence, the Gulf region played a central role in the increased financialisation of the global economy from the 1970s onward.

There is, however, another important role of petrodollars regarding the global financial system. Considering the fact that oil is one of the most traded goods and that oil is sold and traded in USD this has essentially contributed to the upholding of the value of the dollar (Momani 2008).[130] Through their contribution to the stability of the dollar, petrodollars also ensured American financial hegemony. Thus, the agreement between the US and Saudi Arabia in 1974 foresaw that the Saudi state could buy US Treasury bills which were not yet publicly auctioned in order to help finance the growing debt of the US. This agreement to redirect oil incomes to US government bonds included that the amount of the purchased bonds had to be kept confidential and that the Saudi state should ensure that world trade in oil would continue to be denominated in USD. In return, Saudi Arabia would get military and political support from the US (Momani 2008: 301-302;

128 Cohn (2010: 343) writes that from 1974 to 1979 non-OPEC LDCs received about 60% of their external finance from commercial bank credits. Lipson (1981: 603) notes that whereas non-oil LDCs (Brazil, Argentina, South Korea, the Philippines, Chile, Thailand, Taiwan, Columbia, Turkey, Ivory Coast, Bolivia, India and Mexico) paid 1.1 billion USD in interest on their external debt in 1970, this amount had increased to 18.4 billion USD in 1980.

129 The commercial banks which stood between these surplus and deficit states were thereby »operating in the virtually unregulated Euromarkets« enabled by advanced capitalist states, especially in the context of the rise of London as an international financial centre (Lipson 1981: 604, 608-609). Lipson (1981: 604) further notes that »It was a booming business, and a quite profitable one. […] In only a few years [...] Euromarkets had assumed a central role in mediating international capital flows and financing world trade. In the process, private banks had become major creditors of sovereign states, not only in the Third World but also in eastern and southern Europe.«

130 Momani (2008: 293) notes that in 2006, the world spent 5.5 billion USD per day buying crude oil and that the on-going demand for oil sustains a continued and diversified demand for dollars.

Hanieh 2011: 45).[131] As a result, Saudi Arabia, but also the other Gulf States, heavily invested in US Treasury bills. This has not only ensured low interest rates that promote consumption in the US, but also that the international confidence in the USD remained high and that the US could print more money to finance its deficits (especially regarding military expenditures) without any doubts on the value of the dollar (Momani 2008: 302; Engdahl 2004: 154).[132] This pattern of how petrodollars were mainly invested witnessed a partially but nonetheless important shift with the increased prevalence of SWFs within the global financial system from the 2000s onward.

4.2. Sovereign wealth funds from the Gulf: The new »white knights«?

Sovereign wealth funds are usually defined as »investment funds owned and managed by national governments« (Lam and Rossi 2010) or as »a government investment vehicle that invests in foreign currency denominated assets and whose management is distinct from that of official reserves« (Jen 2007: 1; see also Johnson 2007). Helleiner (2009: 300) notes that the term SWF »generally describes state-owned or state-controlled pools of capital that are actively invested, at least partially, outside the country.«[133] Contrary to the rather »risk-less« assets of the official reserves (e.g. government bonds) SWFs may invest in equities and corporate bonds (Jen 2007: 1-2).

SWFs do not constitute a new phenomenon. Actually, the first SWF was established in 1953 in Kuwait as the Kuwait Investment Authority (KIA) (Cohen 2009: 714; Johnson 2007). Initially, SWFs were established »as oil price [...] stabilization funds to help block out disturbances from volatile oil prices on the budget, monetary policy and economy of oil exporting countries« (Jen 2007: 1).[134] SWFs have started to constitute a particularly important part of the global financial system especially from the 2000s onward (Helleiner 2009). Some even argue that their increased presence since the 2000s is »One of the most striking financial developments in recent years« (Cohen 2009: 715).[135]

This importance is reflected in the worldwide increase in their numbers and their total size since the 2000s as well as in the increase of their investments and the value of the assets under their management. It is estimated that in 1990 SWFs held about 500 billion USD, which has increased to 2,000-3,000 billion USD in 2007 and later to nearly 5,000 billion

131 As this deal explicitly included arm sales Bichler and Nitzan (1996) argue that it is more appropriate to speak of a »weapondollar-petrodollar coalition«

132 As the US Congress attempted to force disclosure of Gulf assets in the US in 1979, Paul Volcker, who was then the Chairman of the New York Federal Reserve Bank at that time, noted: »It is hard to see what interest, including that of disclosure, would be served in that event but there would be obvious drawbacks from the standpoint of US financial markets and institutions, and perhaps repercussions on the dollar itself« (cited in Momani 2008: 302). Importantly, Engdahl (2004: 154) who also emphasises that the decision to receive only dollars for the purchase of oil »proved enormously valuable for the United States dollar and for the financial institutions of New York and the London Eurodollar markets« remarks that it is even more extraordinary that »this OPEC dollar-pricing agreement remained in force despite the subsequent enormous losses to OPEC as the dollar gyrated up and down through the next decade and more.«

133 The strong role the state plays regarding SWFs has been also used by Weiss (2012) to enforce her previous argument of the lasting importance of the state in the global political economy.

134 Chhaochharia and Laeven (2009: 8) note that SWFs are usually established »out of balance of payments surpluses, official foreign currency operations, proceeds from privatizations, fiscal surpluses and/or receipts resulting from commodity exports.«

135 But it should be noted that despite this increased importance of SWFs the related literature has been mainly coming from economists or from policy making and journalist communities (Helleiner 2009: 301).

USD in 2011 (Jen 2007; Johnson 2007; UNCTAD 2012a: 13). According to the Sovereign Wealth Fund Institute (SWFI), the value of these assets under management has reached almost 7,300 billion USD in mid-2015.[136] The increased investments by SWFs especially from the 2000s onwards made them ever important for the global political economy and thus to »important players in global financial markets« (Beck and Fidora 2008: 349). The background of the increased importance of SWFs is mainly due to the fact that until 2008 the increase in oil prices from the 2000s onward resulted in massive financial surpluses of oil-exporting countries. Thus, the IMF (2007: 16) notes that »During 2003-06, oil prices increased by 120 percent, resulting in a large positive terms-of-trade shock for oil exporters.« The Gulf region as a major region exporting oil has greatly benefited from this increase so that the »cumulative current account surplus of GCC oil exporters exceeded $475 billion during this period« (IMF 2007: 16). Consequently, SWFs from the Gulf region have been among the main players in the global financial markets from the 2000s onward.[137] According to the SWFI the share of oil and gas as a funding source of overall SWFs was 59.5% in October 2014.[138] The source regions of SWFs shows that almost 40% of the SWFs have their origin in the Middle East (Table 14).

Table: 14: SWFs by region, 2014 (%)

Asia	39.1
Middle East	37.1
Europe	16.7
America	2.9
Africa	2.3
Other	2.0

Source: Sovereign Wealth Fund Institute

Importantly, four SWFs from the Gulf region also appear among the top ten ranking of SWFs in 2015 (Table 15). The ranking list of the SWFI includes overall 79 SWFs of which 14 are from the Gulf region (Table 16). This means that SWFs from the Gulf region account for almost 18% of all SWFs listed in this ranking. The combined value of the assets of the overall 79 SWFs is stated at 7,283.4 billion USD.[139] The value of the Gulf SWFs assets is 2,769.4 billion USD accounting for 38% of the overall value of the assets under management of the 79 SWFs (see also Ziemba and Malkin 2011: 117).[140]

136 http://www.swfinstitute/sovereign-wealth-fund-rankings/ (accessed 20.8.2015)

137 Tranøy (2009) and Shemirani (2011: 39-65) provide an overview of the Norwegian SWFs; Shemirani (2011: 91-113) and Shih (2009) provide an overview of SWFs from China and Singapore.

138 http://www.swfinstitute/sovereign-wealth-fund-rankings/ (accessed 20.8.2015)

139 http://www.swfinstitute/sovereign-wealth-fund-rankings/ (accessed 20.8.2015)

140 At some cases the increased importance of SWFs can also be observed if looked at the number of the persons employed by SWFs. Shemirani (2011: 73) gives the example of the Abu Dhabi Investment Authority (ADIA) and notes that the number of its employees increased from 500 in 1988 to 1000 in 1993 and is expected to have increased further since then. An interesting aspect thereby is that 60% of the employees come from outside of the UAE including prominent financial experts hired to lead different departments within the ADIA. Shemirani (2011: 74) notes that these »experts were veterans of major financial companies such as Morgan Stanley and Goldman Sachs.« For a detailed account of ADIA see Abdelal (2009).

Table 15: SWFs ranking, August 2015

Rank	Country	SWF Name	Assets ($ billions)	Inception	Origin
1	Norway	Government Pension Fund	882.0	1990	Oil
2	UAE	Abu Dhabi Investment Authority	773.0	1976	Oil
3	China	China Investment Corporation	746.7	2007	Non-commodity
4	Saudi Arabia	SAMA Foreign Holdings	671.8	n/a	Oil
5	Kuwait	Kuwait Investment Authority	592.0	1953	Oil
6	China	SAFE Investment Company	547.0	1997	Non-commodity
7	China	Hong Kong Monetary Authority Investment Portfolio	400.2	1993	Non-commodity
8	Singapore	Government of Singapore Investment Corporation	344.0	1981	Non-commodity
9	Qatar	Qatar Investment Authority	256.0	2005	Oil
10	China	National Security Fund	236.0	2000	Non-commodity

Source: Sovereign Wealth Fund Institute

One important aspect regarding SWFs from the Gulf region is that contrary to the period following the 1970s revenues were now not primarily directed to central bank reserves, bank deposits or treasury bills but were »generally diversified across debt and equity securities as well as alternative asset classes, such as hedge funds, private equity, real estate, and commodities« (McKinsey 2007a: 53). Importantly, Raphaeli and Gersten (2009) argue that this shift has been embraced by many Gulf States based upon recommendations of an international consulting agency to the KIA to decrease its investments in traditional assets (e.g. publicly-listed equities and bonds) in favour of investments in non-traditional assets (e.g. private equities and real estate). According to some financial analysts this shift has primarily to do with the different rates of return. Shediac and Samman (2009) calculate that investment in a 0-3 years dollar-denominated Treasury bill resulted in a rate of return less than 1% annually from 1926 to 2004. For the case of the Gulf countries – i.e. their fund size – this represents 9.6 billion USD returns per year. Investment in stocks and bonds, in contrast, provides close to 6% in average annual return representing 84.7 billion USD per year in return.[141] The strong difference in the rates of return can insofar be

141 Shediac and Samman (2009: 6-7) note that although the resulting difference of 75.1 billion USD per year may seem insignificant as an overall percentage of the accumulated GDP over the stated period »it is not when considering domestic expenditures on education and other social reforms that are the focus of GCC governments. For example, in 2005 the United Arab Emirates spent an estimated $1.6 billion on education, while Qatar spent $494 million and Saudi Arabia spent $17 billion. In 2007/2008, budgeted expenditures on education jumped astronomically to $4.6 billion, $2.2 billion, and $28 billion, respectively.«

considered as a reason for the shift to investments in other assets than government bonds (Bahgat 2009; European Investment Bank 2012: 11).[142] This is also indicated by asset allocation of the Gulf SWFs where investment in equities accounts for almost 60% from 2005 to 2011 (Table 17).

Table 16: SWFs from the Gulf region, August 2015

Rank	Country	SWF Name	Assets ($ billions)	Inception	Origin
2	UAE (Abu Dhabi)	Abu Dhabi Investment Authority	773.0	1976	Oil
4	Saudi Arabia	SAMA Foreign Holdings	671.8	n/a	Oil
5	Kuwait	Kuwait Investment Authority	592.0	1953	Oil
9	Qatar	Qatar Investment Authority	256.0	2005	Oil
12	UAE (Dubai)	Investment Corporation of Dubai	183.0	2006	Non-commodity
13	UAE (Abu Dhabi)	Abu Dhabi Investment Council	110.0	2007	Oil
20	UAE (Abu Dhabi)	International Petroleum Investment Company	66.3	1984	Oil
21	UAE (Abu Dhabi)	Mubadala Development Company	66.3	2002	Oil
39	UAE (federal)	Emirates Investment Authority	15.0	2007	Oil
41	Oman	State General Reserve Fund	13.0	1980	Oil / Gas
42	Bahrain	Mumtalakat Holding Company	10.5	2006	Non-commodity
46	Oman	Oman Investment Fund	6.0	2006	Oil
52	Saudi Arabia	Public Investment Fund	5.3	2008	Oil
62	UAE (RAK)	RAK Investment Authority	1.2	2005	Oil

Source: Sovereign Wealth Fund Institute

Table 17: Asset allocation of Gulf SWFs, 2005-2011 (%)[1]

Equities	58
Fixed income	20
Real Estate	13
Others	14

Note: 1. GCC SWFs weighted average
Source: European Investment Bank (2012: 11)

142 McKinsey (2007a: 60-62) notes that it is within this context that income from oil has also considerably contributed to the growth in hedge funds and equity around the world. Especially the ADIA has been investing in hedge funds since the mid-1980s and »is now one of the biggest single investors – possibly the biggest – in global hedge funds and private equity« (McKinsey 2007a: 61).

There are, however, strong variations between Gulf countries (Table 18). ADIA, for instance, had for a long time, until the late 1990s, a more conservative investment strategy (Abdelal 2009). But since the 2000s it is usually known as a more »adventurous and diversified investor« (McKinsey 2007a: 53) and its investments became from the 2000s onward increasingly important for the financial markets, although it did not gain much interest for a long time. Abdelal (2009: 319) notes that »Practically no one outside of Wall Street and London banks and financial firms had heard of ADIA, and that was just the way the firm's executives liked it.« SWFs from Saudi Arabia, on the other hand, »tend to follow a more cautious approach to investment than their Gulf counterparts« (Ulrichsen 2011a: 79). Thus, the portfolio of foreign assets is held by the central bank, the Saudi Arabian Monetary Agency (SAMA), which is more »conservative« and »holds an estimated 75 percent of its portfolio in fixed-income securities and bank deposits, and allocates only 25 percent of assets to equity« (McKinsey 2007a: 53). These conservative investments by SAMA have been mainly in bonds, especially US Treasuries and bonds (Bahgat 2009; Diwan 2009; Seznec 2008).[143]

Table 18: Estimated asset allocations of government investment agencies, 2006 ($ billion, %)

	SAMA 100% = 250	ADIA 100% = 500-875
Bank deposits / cash	20	10
Fixed income	55	10-15
Equity	25	50-60
Real estate	0	5-8
Private equity	0	5-10
Other alternative investments	0	5-10
	More conservative	Less conservative

Source: McKinsey (2007a: 54)

SWFs from the Gulf region (and other regions) reveal two important roles within the global economy. First, SWFs initially have »boosted liquidity in global financial markets« (McKinsey 2007a: 24).[144] El-Gamal and Jaffe (2009: 99-100) are more clear on this aspect when they write that »from 2003 to 2008, the Middle East massive petrodollar outflows, combined with excess liquidity due to low interest rates and a voracious appetite for credit risk, fuelled bubbles in global financial markets, including real estate, credit derivatives, and ultimately commodity prices.«

Second, SWFs also played a crucial role during the global economic crisis of 2007/08 as financial institutions have been hit hard. Although Seznec (2008) argues that the size and importance of the Gulf SWFs is overestimated and that considering the huge amounts needed for rescuing Western financial institutions the importance SWFs from Gulf region

143 Setser and Ziemba (2009: 10-11) note that the dollar share of the assets in the case of SAMA is higher than in the other Gulf countries and ranges between 75-85%.

144 The IMF (2006: 22) additionally points to the importance of increased spending/import of the GCC region due to high oil prices because »Higher spending by oil exporters would [...] help to reduce the risks of disruptive adjustments in global imbalances and a sharp slowdown in the global economy«.

should not be exaggerated,[145] it should be noted that they nonetheless have played an important role during this process. Thus, it has been argued that the crisis was »managed so apparently painlessly« because SWFs including those from the Gulf region have invested in western financial institutions (Harold James, cited in Weiss 2012: 33). The »capital injections in distressed banks« (Chhaochharia and Laeven 2009: 14) like Citibank, UBS, Morgan Stanley are insofar considered to have hindered more severe impacts of the crisis.[146] Barbony and Bortolotti (2012: 308) note that SWFs have invested 63 billion USD in the American and European banking industries on the verge of default so that SWFs have become lenders of last resort relieving a distressed financial system. According to Kern (2009: 17) during the period of 2007-08 of the overall investments of SWFs 42% targeted the financial sector, followed by manufacturing industries (14%), services (13%), real estate (11%) and commodities (10%).

This important role SWFs played regarding the stability of the financial system has also been recognised by the IMF (Sun and Hesse 2009). In its Global Financial Stability Report the IMF (2011a: 28) explicitly emphasises the »ability and willingness [of SWFs] to stay invested in risky assets and ›ride out‹ the financial turmoil.« A range of scholars from the field of economics also stated that SWFs have a »risk-sharing role« in financial markets and contribute to financial stability (Lam and Rossi 2010; Kozack, Laxton and Srinivasan 2010).[147] It is especially emphasised that SWFs from the Gulf region played an important role as they have been among the leading investors investing in financial institutions (Asutay 2008; Bahgat 2009). Ulrichsen (2011b: 70) remarks that Western countries have asked the Gulf States for help to overcome the crisis and notes that »During the autumn of 2008 Gulf sovereign wealth funds accounted for approximately one-third of the emergency funding that European governments made available to financial institutions.« The following table (Table 19) illustrates those investments from the Gulf region that took place shortly after the outbreak of the crisis.[148]

Importantly, in 2008, during the economic crisis, Gordon Brown, the British prime minister at that time, visited several Gulf States including Saudi Arabia, the UAE and Qatar »in search of what he called ›hundreds of billions of dollars‹ to bail out the global economy« (Fenton 2008; see also Khaleej Times 01.11.2008). Gordon Brown and his delegation, which included Peter Sands, group chief executive of Standard Chartered Bank, David Hodgkinson, chief operating officer of HSBC Holdings, and Lord Peter Levene, chair-man of Lloyd's, had meetings with Emirati businesses and government officials at the Dubai International Financial Centre (DIFC) in order to find solutions to the economic crisis. Omar bin Sulaiman, governor of the DIFC said on this occasion that »We will be working with the UK's financial industry to turn the

145 Seznec (2008) especially refers to public and military expenditures that are paid through oil revenues.

146 One important aspect of these investments was, of course, that SWFs have been »Sensing opportunity in market stress« in order to make profits (Balin 2010: 5).

147 Importantly, Kozack, Laxton and Srinivasan (2010: 194) note that SWFs also contributed to domestic financial stability and give the example of the Qatar Investment Authority (QIA) which purchased 5% stakes in the Commercial Bank of Qatar, Al Ahli Bank and Qatar Islamic Bank in order to strengthen the banking system. Similar investments by SWF did also take place in Kuwait (through the KIA) and in the UAE (ADIA).

148 For a specific look at the investments of ADIA during the crisis see Abdelal (2009).

challenges faced by the global economy into opportunities for growth« (cited in Fenton 2008).

Table 19: Investments by Gulf SWFs in western financial institutions
March 2007 – April 2008

	Financial institution	Investment value ($ billion)	Holding (%)
Abu Dhabi Investment Authority	Citigroup	7.6	4.9
Borse Dubai	OMX	5.0	*
Borse Dubai	London Stock Exchange	*	28.0
Dubai International Capital	OchZiff Capital Management Group	1.1	9.9
Mubadala Development Company	The Carlyle Group	1.35	7.5
Istithmar (Dubai World)	Standard Chartered	1.0	2.7
Dubai International Capital	HSBC	1.0	0.4
Saudi Arabia & Singapore Investment Corporation	UBS	10.0	9.0
Saudi Arabian Monetary Agency	UBS	1.8	2.0
Qatar Investment Authority	London Stock Exchange	*	24.0
Qatar Investment Authority	OMX	*	10.0
Qatar Investment Authority	Credit Suisse	0.603	1.0
Kuwait Investment Authority	Citigroup	3.0	1.6
Kuwait Investment Authority	Merill Lynch	2.0	3.0

** not specified*
Source: Asutay (2008: 7)

Additionally, in 2009, again during the crisis, Timothy Geithner, the US Treasury Secretary too payed a visit to Saudi Arabia where he said: »The economic policies put in place here, in the kingdom [Saudi Arabia], and in the region […] have helped arrest the crisis, slowing the pace of decline in economic growth, pulling global financial system back from the edge of failure« (cited in Khaleej Times 14.07.2009). He also told that the US values the investments of the Gulf States in the US and added that their US Dollar assets are safe. The Riyadh-based economist John Sfakianakis noted that Timothy Geithner made this specific statement because »Since Saudi Arabia is a very important holder of US paper, some explanation about the state of the US economy« from the top US finance official was necessary (cited in Halder 2009). Importantly, during his visit to the Gulf countries Timothy Geithner also brought up the incident as the UAE state company Dubai Ports wanted to operate some ports in the US in 2006 but had to pull back its investments because of political and public pressures. Geithner said on this that »Since the controversy surrounding the Dubai Ports deal in early 2006, our government has put into place a series of reforms designed to safeguard national security, while providing more clarity, predictability and transparency to investors« (cited in The Economic Times 15.07.2009).

One important aspect of this stabilising role of SWFs during the crisis was a change in the perception of SWFs. Whereas SWFs, especially because of the aforementioned attempt of Dubai World to bid for the operation of US ports in 2005, were previously portrayed as »barbarians at the gate«,[149] they later »turned into the ›White Knights of Wall Street‹ when the financial crisis started to hit hard« (Barbony and Bortolotti 2012: 308). Thus, leading (economic) journals and magazines like Financial Times, The Economist and New York Times lauded SWFs for helping »save« the global financial community and emphasised the role SWFs play in stabilising the global economy (Balin 2010).[150] This importance of SWFs from the 2000s onward and their role during the crisis has led some to argue that »SWFs are in no danger of going away as a potent force in global finance« (Balin 2010: 7).[151] There are, however, several important points worth considering at assessing the importance of SWFs (especially for Western financial institutions).

First, with the exception of the Norwegian SWF most of the other SWFs (including those from the Gulf region) are not transparent, as they neither reveal their investment objectives and strategies nor their activities and performance (Jen 2007; Johnson 2007). The lack of transparency has resulted in a widespread debate on the impact of SWFs investments on national security and national interests. The above-mentioned bid of Dubai World for the operation of US ports represents such a case with heated debates on the importance of strategic industries. Similar incidents also happened regarding Dubai-based investments in New Zealand and Sweden (Chhaochharia and Laeven 2009; see also Cohen 2009; Raphaeli and Gersten 2009).[152] Therefore, there remain several political concerns which could lead to new legislations in favour of »financial protectionism« (Cohen 2009: 722).

Interestingly, however, according to many scholars these political concerns are not justified because there is no evidence that SWFs pursue political gains (Asutay 2008; Bahgat 2009). Drezner (2008: 122) notes that SWFs do indeed have the potential to inflict economic harm, but that the presentation of SWFs as a threat to national security is »largely exaggerated« because in such a case SWFs »would damage their own economies even more in the process.« A private consulting firm, Monitor Group, has equally noted that »SWFs do not appear to be investing for political motives« and that they therefore »do not appear to be active in ways that threaten the economic or national security of foreign countries where they invest« (cited in Cohen 2009: 719). In the specific case of ADIA, Shemirani (2011: 84) emphasises that, »Despite the presence of influential political figures on the board of

149 Barbony and Bortolotti (2012: 313) note that one third of the total SWF assets are controlled by »autocratic regimes in the Middle East and 20% by China«.

150 For an analysis of investments by »white knights« from the Gulf region in Germany (especially regarding their investments in Daimler, VW and Porsche) during the crisis of 2007-08 and the positive effects attributed to these investments by government officials and managers see Haberly (2013).

151 The importance of SWFs is also evident in the fact that there increasingly emerged the need to establish a forum for communication and coordination. The periodic meetings of the IMF-sponsored Working Group of SWFs (established in 2008) and the related Santiago Principles emerged as a response to this need (Bahgat 2009: 291-292; Balin 2010: 7).

152 Equally prominent were Russian and Chinese SWFs investments, e.g. the attempt of the government-controlled China National Offshore Oil Company (CNOOC) to purchase Unocal, a US oil producer (Cohen 2009: 721). Regarding investment attempts by Chinese and Russian SWFs Angela Merkel asked the EU to »protect European companies from unwanted foreign takeover« and Peer Steinbrück, the former finance minister told the Bundestag that Germany will defend its companies from takeovers by SWFs that belong to governments whose »social and political systems are not exactly moderate« (cited in Raphaeli and Gersten 2009). In France, Sarkozy declared: »I believe ... in globalization but I don't accept that certain sovereign wealth funds can buy anything here and our own capitalists can't buy anything in their countries. I demand reciprocity before we open Europe's barriers« (cited in Asutay 2008: 11)

directors, the actual management of the fund – to a great extent – remains non-political.« As a matter of fact, in 2008 ADIA sent a letter to Western finance officials, including the US Treasury Secretary Henry Paulson, underlining that through their investments they are primarily interested in returns, long-term investments and a well-defined portfolio. The letter also stated that »In a world thirsty for liquidity, receiving nations should be mindful of the signal sent through protectionist rhetoric and rash regulation« (cited in Abdelal 2009: 321).[153]

The second important point is that the combination of the effects of the financial crisis on SWFs themselves and the further weakening of oil prices in its aftermath have put severe constraints on SWFs.[154] This has resulted in attempts to decrease the investments by SWFs. According to some reports Saudi Arabian SAMA already »withdrew between $50-$70bn from its SWF asset managers as it sought to liquefy assets. It also withdrew an estimated $1.3bn from European equities last year, according to analysts at Dubai's Nasdaq« (Townsend 2016). In October 2015, QIA sold a 10% stake in German construction company Hochtief, valued at 615 million USD. QIA also announced stake sales in French construction giant Vinci (valued at about 400 million USD) and two London office buildings (worth more than 842 million USD).[155] It is further reported that KIA and Mubadala also withdrew several investments (Bianchi and Martin 2015; Townsend 2016). It is from this backdrop that Michael Maduell, the president of the SWFI noted: »If wealth funds of Norway and the Gulf countries begin to slowly put out, it will have an impact on financial markets« (cited in Bianchi and Martin 2015).

The third important point is that especially after the global economic crisis of 2007-08 SWFs from the Gulf region are increasingly investing in the broader region of the Middle East and Asia (European Investment Bank 2012; McKinsey 2007a; Momani 2008; Shediac and Samman 2009). The QIA, for instance, has declared in the aftermath of the crisis that it will keep on with investments in the West but that it particularly wants to increase its investments in China, Japan, Korea and Vietnam. Kenneth Shen, head of Strategic and Private Equity at the QIA, said in this context: »Historically, we've been heavily invested in the US and Europe and we've been underweight in Asia. We're going to increase our investments there, though not necessarily at the expense of Europe or the United States« (cited in Bahgat 2009: 288). In 2010, Qatar Investment Holding, an investing arm of QIA, set up a 1 billion USD Indonesian fund in infrastructure and natural resources in Indonesia, and in 2011 Morocco's Tourism Investment Authority established Wissal Capital through a partnership with SWFs from Qatar, Kuwait and the UAE (UNCTAD 2011a:

153 One interesting point which Asutay (2008: 15) highlights in the specific case of SWFs from the Gulf region is that »the undemocratic nature of these countries [Gulf countries] has become an issue when they [...] came to an understanding of efficiently using their wealth by utilising long-term investment strategies involving assets in the West thereby expanding their wealth further. While these countries were investing in the US Treasury bills, for example, the mentioned political and security risks were not raised as it was working in the financial interest of the West.«

154 From 2007 to 2009 SWFs lost roughly 20% in value (about US 600 billion USD) (Balin 2010: 2; see also European Investment Bank 2012: 9). SWFs from the Gulf region were also affected. However, according to Gupta (2014) they »were the first back into the market in 2010 with large deals in London, New York and Paris.«

155 Townsend (2016) notes that »QIA is believed to have incurred losses of up to $12bn as a result of investments in Volkswagen, Glencore and Agricultural Bank of China – all of whose balance sheets were hit for a variety of reasons last year.«

16). Likewise, ADIA has developed a special interest in China and India in particular (Bahgat 2009). The importance of this move of investments towards Asia (and the broader Middle East) has been maybe most clearly expressed by the chief of the KIA asking »Why invest in 2 percent-growth economies when you can invest in 8 percent-growth economies?« (cited in Raphaeli and Gersten 2009).

In summary, then, despite the salient debate on political concerns regarding SWFs, it remains to be noted that, first, SWFs were essential at providing liquidity to the global financial markets from the 2000s onward and thus contributed to financial stability;[156] second, that SWFs have also been important during the global economic crisis of 2007/08 as they provided much needed capital for troubled financial institutions and also invested in a range of important companies hit by the crisis; third, that although the increased role of SWFs has resulted in political concerns and in fact indicates American macroeconomic weakness (Drezner 2008: 124), they seem to remain important for the global financial system. Thus, in the specific case of ADIA Abdelal (2009: 325) notes that:

> »The UAE is an ally. ADIA is too large, its dollar assets too important to its portfolio, to initiate an aggressive recalibration of its investment strategy without affecting every market in the world. The accumulation of ADIA's dollar assets gives it an incentive to maintain both American financial hegemony and international stability. [...] ADIA may be as opaque as a hedge fund, but it is a hedge fund run by our friends, who cannot afford to see the US economy fail.«

Fourth, there is a partial shift of investments by SWFs (especially those of the Gulf region) towards the Middle East and Asia. Although this has not reached levels which would pose serious problems for the West it nonetheless indicates emerging trends of great relevance for the global political economy, especially if this specific shift is thought together with the equally important shift of commodity flows (trade and oil) towards Asia as elaborated in the previous sections of this chapter.

156 This, of course, indicates that SWFs from the Gulf region have been essential in »subpriming the pump« (El-Gamal and Jaffe 2009) from the 2000s to 2007-08 and as such should also be considered important at destabilising the global financial system. El-Gamal and Jaffe (2009: 99) emphasis that the flows from oil revenues in form of SWFs »are fueling financial bubbles, financing a Middle Eastern arm race, and damaging the global economy through speculative oil-price feedback-loop« and that consequently the global economic crisis of 2007-08 is not only about excess in real estate but »also a cautionary tale about the increasingly pernicious role that oil is playing in the global economy.«

6 State Policies Towards FDI: Between Progress and Stalemate

Whereas the previous chapter of this study has tried to situate the Gulf region within the global political economy with a specific focus on commodity and money flows, the aim of this chapter is to move closer to questions, such as if, and to what extent, the Gulf countries and the UAE have moved towards market-oriented development and implemented neoliberal policies; what kind of specific trends in FDI to the region can be observed; and more specifically, what kind of a configuration the UAE's state policies towards FDI reveal. After elaborating on the state-formation process, the political structure, and the process of policy-making in the UAE, this chapter will develop the argument that the Gulf States, despite their strong dependence on oil, have moved towards market-oriented development enhancing the private sector, especially through implementing neoliberal policies in the form of liberalisation and privatisations. It will also be highlighted that this move has been accompanied by increasing flows of FDI to the region, making it the leading region in the Middle East attracting FDI. State policies of the UAE towards FDI, so the argument developed in this chapter explores, are characterised by a dialectical process of progress and stalemate. This contradictory combination of increased favourable policies towards FDI on the one hand, and the enduring presence of considerable restrictions on FDI on the other hand, can basically be considered to stem from the importance of social forces, especially the internationally mobile capital and the nationally based capital pursuing different agendas and having diverging and contradictory interests.

1. State-formation, political system and decision-making process in the UAE

Previously known as the Trucial States, the UAE was officially declared a sovereign state on 2 December 1971 and is composed of seven emirates which were part of the Trucial States: Abu Dhabi, Dubai, Sharjah, Ra's al-Khaimah (RAK), Ajman, Fujairah and Umm al-Qawain (UAQ). The state formation process was to a certain extent imposed upon these Emirates as Britain declared in 1968 that it would withdraw from the region in 1971 in order »to cut imperial expenditure and focus more resources on Britain's struggling welfare system« (Davidson 2011b: 9). Throughout its history the region of the contemporary UAE has faced several internal and external threats: the conflicts with merchants organised in the Dubai Reform Movement in the 1930s and the conflicts with Arab nationalism in the 1950s; territorial claims by Saudi Arabia (backed by US oil companies which were not allowed to acquire oil exploration concessions in the British zone of influence) in the 1950s; and territorial claims by Iran in the 1960s. The UAE could effecttively deal with these conflicts with the support of Britain, which additionally guaranteed the political power of the leading rulers. It is against this backdrop that Britain's withdrawal from the region was considered by the rulers such a serious problem that they even offered to bear the costs of the British military presence in order to maintain British presence in the region (Davidson 2011b: 7-9). However, instead of accepting this offer, Britain advised the rulers of the Trucial States to set up a federation, which should also include Bahrain and Qatar.

The discussions (under the supervision of Britain) to establish a federation started in early 1968 and even a federation agreement was signed between the emirates at this time. However, as Britain's withdrawal drew closer, different perceptions between the emirates on a federation became more obvious so that during this process Qatar and Bahrain decided not to join a federation and instead declared their independence. The remaining emirates then decided to establish a federation, with the emirate of Ra's al-Khaimah joining the federation one month after the official declaration of the sovereign UAE. Abu Dhabi, possessing the majority of the oil reserves, became the capital city and its ruler Sheikh Zayed bin Sultan Al Nahyan became the first President of the UAE (Butti and Al-Muhairi 1996; Davidson 2011b).

The highest political institution in the UAE is the Federal Supreme Council, also referred to as the Supreme Council of Rulers (SCR), which consists of the rulers of the emirates and, on occasion, their respective crown princes. The SCR is responsible for the formation of state policies, the approval of federal laws, international agreements and treaties and for appointing the Prime Minister (Butti and Al-Muhairi 1996: 119-120).[157] Although, according to the constitution there should be a presidential election every five years at the SCR (Art. 51, 52), in practice Abu Dhabi, as the most resource-endowed and financially strong emirate, has filled this position since the establishment of the UAE, whereas the ruler of Dubai is always appointed the Vice President. The strong position of these two emirates is also reflected in the fact that only their rulers have a veto power at the SCR meetings (Davidson 2011b: 11-12; Butti and Al-Muhairi 1996: 120). According

157 See also Art. 47 of the Constitution. All of the following references to the Constitution can be accessed at the website of the Ministry of Justice, http://www.elaws.gov.ae/EnLegislations.aspx (accessed 06.12.2016).

to the constitution the executive in the UAE exists at both federal and emirati level which means that in the UAE there are local governments and the federal government (Butti and Al-Muhairi 1996: 119).[158] This division of the executive appears to be closely linked to the state formation process in the late 1960s and early 1970s. Al-Sayegh (1999: 14) notes that whereas Sheikh Zayed »saw federalism as the only way to build a modern state« the ruler of Dubai, Sheikh Rashid:

> »wanted the local governments to have greater power. The rulers of the other emirates also wanted to protect their autonomy. Building a proposal to which all the rulers could agree proved challenging. Sheikh Zayed and the rulers of other emirates worked closely together to form a unique federal government that united and, at the same time, protected the autonomy of each individual emirate.«

At an intermediate level and at the centre of the federal decision-making process is the Council of Ministers (COM) which consists of more than 20 ministers and is headed by the Prime Minister (always from Dubai) (Davidson 2011b). Another important political institution is the Federal National Council (FNC). It was established as an institution to represent the Emirati population and has 40 members. The number of members to be represented at the FNC differs from Emirate to Emirate. Abu Dhabi and Dubai each supply 8 members; Sharjah and RAK 6 members each; and the other three emirates (Ajman, Fujairah and UAQ) 4 members each (Art. 68; see also Davidson 2007b: 121-122). Until 2006 the seven rulers of the Emirates selected all of the 40 members of the FNC. In 2006, however, there was a reform allowing half of the members of the FNC (i.e. 20 members) to be elected by an electoral college of some 6,000 citizens who were »handpicked« by the rulers of the Emirates and represented less than 1% of the Emirati citizens (Habboush 2011; Herb 2009: 379; Davidson 2007b: 123; Young 2014: 32).[159] But only 28 percent of the 6,000 members of the electoral college have participated at the election in 2006. The next election was held in 2011. This time, however, the number of those allowed to vote was increased to more than 135,000, or 12% of the Emirati citizens. Only 20% of the eligible voters took part at the elections of 2011 (Young 2014: 32). The most recent election for the FNC took place in October 2015. This time the number of those allowed to vote was increased to more than 220,000 and 35% of the eligible voters took part at the election (Hellyer 2015; Dajani 2016; Habboush 2011; Al Subaihi 2015).

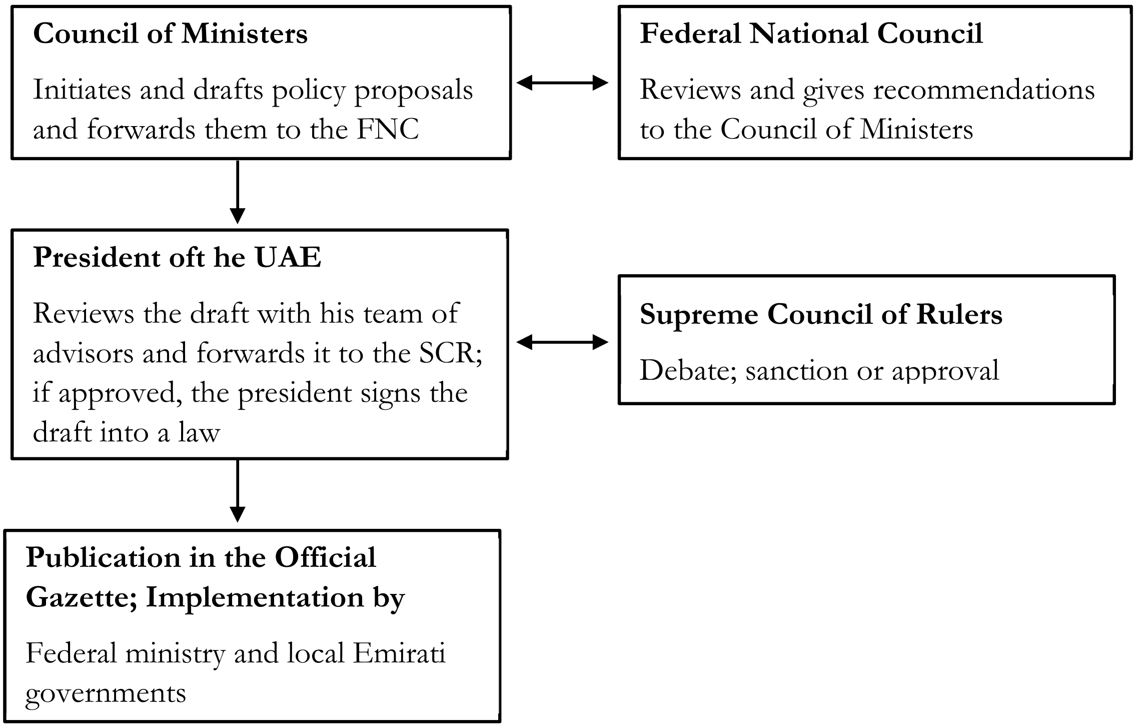
The decision-making process in the UAE is closely linked to the above-illustrated structure of the political institutions (Figure 1). The COM, which consists of the Prime Minister and the ministers initiates drafts of federal laws (Art. 60) and forwards them to the FNC. The FNC has the mandate to review the draft laws, propose amendments and

158 Art. 3 of the Constitution states that »The member Emirates shall exercise sovereignty over their territories and territorial waters in all matters that do not fall within the jurisdiction of the Federation by virtue of the present Constitution.« Importantly, according to the Constitution »The natural wealth and resources of each Emirate shall be considered the public property of that Emirate« (Art. 23).

159 Importantly, there is no official declaration by the government how the voters were selected for the electoral college (Habboush 2011). The UAE government notes on this only that »Each emirate has its own electoral college consisting of a minimum of 300 multiples of their respective seats, in accordance with the Constitution, with members appointed by the ruler of each emirate. The right to vote is given for every citizen whose name is mentioned in the electoral college of his respective emirate.« See http://government.ae/en/electoral-system (accessed 04.12.2016). For the appointed members of the FNC the Constitution (Art. 69) only states that »Each Emirate shall be free to determine the method of selecting the citizens representing it in the Federal National Council.«

give recommendations (Art. 89).[160] It has also specialised committees and technical research teams, which provide necessary information related to the draft laws. The FNC can also question ministers who have drafted the law (Art. 93). The recommendations and proposed amendments are then sent back to the COM for final consideration and approval (Butti and Al-Muhairi 1996: 120; Okoth 2014: 272-273). The draft law is then submitted by the COM to the President who reviews the draft with his team of advisors and presents it to the SCR which has the mandate to »initiate policy, to review and reject laws passed by the ministerial government« (Christopher M. Davidson, cited in Okoth 2014: 272). The SCR decides on the final approval or rejection of the draft law. If the law is approved by the President and by the SCR it is officially signed by the President, published in the Official Gazette and implemented by the ministry and the local Emirati governments (Art. 54(4), 60(5-6), 111). Importantly, within this process the President and the SCR are not obliged to accept the recommendations or the proposed amendments of the FNC (Art. 110(3a); see also Butti and Al-Muhairi 1996; Okoth 2014). Beyond this process defined by the Constitution, the President and the COM together can also issue decrees »which shall have the force of law« (Art. 113-115).

Figure 1: Policy making process at the federal level of t e UAE



Source: The Constitution of the UAE and Okoth (2014: 272)

It should also be noted that there are two important points that are often raised, especially regarding the role of the FNC within this process. First, although it is not officially declared how and based on which criteria the members of the FNC are appointed by the rulers, it is commonly acknowledged that contingents provided for each emirate »are most

160 Young (2014: 32) notes that since 1972 the FNC »held 493 sessions […] and has been part of a consultation process on 533 pieces of legislation approved by the Supreme Council.«

often made up of senior representatives of non-ruling tribes or sections« (Davidson 2007b: 121-122). Some scholars point in this context to the enduring historical importance and linkages between economic elites and political rulers. Almezaini (2013: 59), for instance, notes in this context that in the case of government and other executive and legislative positions »leading merchant families are ranked second after members of the ruling families« and that in the case of the FNC most of the appointed members (i.e. 20 members) »are among the country's leading merchants or social elites«.[161]

The second important point is that the FNC is usually considered to have a limited legislative power, it often being claimed that the FNC is merely an »entirely advisory body« (Herb 2009: 379); that it is »incapable of making more substantive interventions« (Davidson 2007b: 122); or that it has remained »throughout its life a technical organization« (Ehteshami 2003: 70). In this context it has also been emphasised that even FNC members would agree that »the power of the FNC is almost insignificant« (cited in Herb, 2009: 379) and that there is »no sign of changing the FNC's toothless mandate to ›discuss‹ legislation into anything like lawmaking« (The Economist 30.06.2011).

2. Oil dependence, diversification and the path towards a market-oriented development

Throughout the 1990s Gulf States implemented diversification policies to reduce their dependence on natural resources (oil and gas) and to develop a private sector (Davidson 2011c; Hodson 2013; Shochat 2008; UN ESCWA 2001). This move was seen as important because a major part of the economy is dependent on oil, its production and export. In 2006, for instance, oil accounted for almost 80% of total exports and more than 80% of government revenue (Shochat 2008: 4). Analysing the share of oil and gas in the GDP of Gulf countries shows that this is very high in many Gulf countries, particularly in Saudi Arabia, Qatar, Kuwait and Oman. The combined share of hydrocarbons at the GDP of the Gulf countries as a whole was almost 50% in 2006 and remained high throughout the 2000s (Table 20, Table 21). In 2014, the average share of oil at the GDP of Gulf countries was more than 45% (Table 22).

Oil dependency became especially severe as oil prices fell dramatically in the aftermath of the more recent economic crisis, which has put more constraints on the Gulf States. This was, however, seen by some scholars as an opportunity as falling oil prices »opens up a window of opportunity for policy-makers to announce measures […] that would have been almost impossible to push through while oil was US$100/barrel« (Ulrichsen 2016: 17).[162]

161 Almezaini (2013: 59) especially mentions in this context the al-Ghurair, al-Dhahiri, al-Hai, al-Qubaisi, al-Mansouri, al-Dhaheri, al-Suwaidi, al-Sha'afar, al-Madfa and al-Zaabi. Furthermore, he notes that Anwar Mohammed Gargash is the Minister of State at the Ministry of Foreign Affairs as well as the Minister of State for Federal National Council Affairs which was established in 2006 in order to empower the FNC and is assigned for the coordination between the government and the FNC; to participate in drafting legislations related to the role of the FNC; to promote »the culture of political participation«; and to supervise media affairs linked to parliamentary practice. See the website of the Ministry at http://www.mfnca.gov.ae/en/Pages/About-the-Ministry.aspx (accessed 04.12.2016).

162 Note, however, that the outbreak of the Arab Spring in 2011, which in the Gulf region has most severely affected Bahrain and Saudi Arabia, has resulted in increased public spending (e.g. subsidies, new public jobs and salary increases for public employees) based on oil incomes in order to limit protests (Ulrichsen 2016).

Table 20: Gulf countries crude oil and gas as a percentage of GDP

	2003	2004	2005	2006	2007
Bahrain	22.2	18.5	15.6	14.5	13.6
Kuwait	41.0	44.6	51.8	55.7	54.5
UAE	28.6	31.9	36.1	35.9	35.9
Qatar	59.0	54.5	59.6	57.3	56.6
Saudi Arabia	39.9	41.9	45.4	54.1	48.0
Oman	42.0	43.0	49.4	47.6	45.2
GCC, total	38.4	40.4	44.8	49.2	45.9

Source: Hanieh (2011: 107-109)

Table 21: Combined GDP of Gulf countries by economic activity (%)

Sector	2008	2009	2010	2011
Mining and quarrying (petroleum, gas, mining)	48.9	36.7	41.4	48.7
Government services	8.3	11.5	11.2	10.0
Manufacturing	8.7	9.7	9.8	9.2
Wholesale, retail, hotels and restaurants	8.5	10.3	9.7	8.3
Real estate services	6.7	8.0	6.9	5.9
Construction	5.9	7.1	6.4	5.3
Finance and insurance services	5.3	6.6	5.7	4.7
Transport, communication and storage	5.3	6.9	6.1	5.3

Source: GCC (2014: 45-47)

Table 22: GDP composition of Gulf countries, 2014 (%)

	Oil	Government	Other
Bahrain	24	11	65
Kuwait	63	11	26
Oman	56	11	33
Qatar	51	6	43
UAE	34	3	63
Saudi Arabia	43	12	45

Source: IMF (2016: 8)

The important difference between the diversification attempts from the 1990s onward compared to earlier periods was, however, that Gulf States now generally acknowledged that promoting a private sector through privatisation and liberalisation was essential and had to become an integral part of their economic policies. The governments of the Gulf region started at an early stage to emphasise the importance of a development that is market-oriented, and started to increase the role of the private sector in the economy

(Toumi and Westley 2005; Shochat 2008; Wilson 2006; Al-Omar 1996; Hodson 2013). The introductory remarks of the Economic Agreement between the GCC states signed in 2001 is also explicit on this by noting that »enhancing market mechanisms and fostering the role of the private sector« is one of the main goals of the Gulf States.[163] Especially in the period between 2002-2008, when oil prices were at their height, the newly emerging private sector started to play an active role at the economic growth in the non-oil sector (OECD 2011). In fact, already from the 1990s onward many Gulf States have increasingly assigned international consulting companies such as McKinsey to develop economic strategies and policies for the move towards a market-oriented development by enhancing the private sector (Ulrichsen 2016).

On a regional scale and especially regarding privatisations Shochat (2008: 24) notes that the initial scepticism of decreased revenues and potential social and political opposition was eventually »eclipsed in the mid-1990s by a growing realisation among GCC governments (supported by World Bank recommendations) that the benefits of privatisation would far exceed the costs«. Although there were many problems at initiating a privatisation process (see Ghanem and Elfekani 2011), since the 1990s »privatisation […] and the promotion of private sector participation generally were recognised as essential, and have become integral to economic policy in GCC member states« (Shochat 2008: 24). Thus, since the mid-1990s many Gulf States have started to privatise major state-run companies, for instance in the field of telecommunications, tourism and utilities (Al-Iriani 2007; Hodson 2013). AlShebabi (2015: 31) speaks in this context from a »wind of ›privatisation‹ that blew throughout the region and the ascent of the ›free market‹ mantra.«[164]

Different international organisations acknowledged these efforts and Gulf States steadily improved their rankings on the Doing Business Index of the World Bank and on the Global Competitiveness Index of the World Economic Forum (WEF) (Hvidt 2011a: 93-99). Saudi Arabia, for instance, ranked among the top ten in 2011 World Bank's Ease of Doing Business Survey (although it fell back to 26th in 2014) (EIU 2014b: 5). Indeed, the EIU (2014b: 6) notes that »The *Global Competitiveness Report* of the World Economic Forum […], the Heritage Foundation's *Index of Economic Freedom* and the Economist Intelligence Unit's *Business Environment Rankings* all show progress in the business environments of much of the region.« Many scholars have noted in this context that within the

163 The Economic Agreement can be accessed at http://www.gcc-sg.org/ar-sa/Pages/default.aspx (accessed 03.06.2016).

164 In addition to privatisations in different economic sectors from the mid-1990s onward there were, to a certain extent, also liberalisation efforts in the real estate sector from the 2000s onward. In Saudi Arabia, for instance, a new law in 2000 made it possible for non-residents to own real estate as their private residence with the permission of the Interior Ministry (the holy cities of Mecca and Medina are excluded). The law also allowed foreign investors to own business properties and the accommodation needed for their workers (Shochat 2008: 31; OECD 2011: 46; Hanieh 2011: 112; Oxford Business Group 2014: 351). Although »it remains impossible for foreign entities to own land« in the UAE (Oxford Business Group 2007: 34), different emirates have introduced liberalisations. Thus, already in 2002 Dubai has legalised foreign ownership of property under a freehold agreement. In 2006, a law issued by the UAE government allowed a freehold ownership of land and property to Gulf nationals and gave also similar rights to other foreigners. In 2012 the emirate of Dubai issued Regulation No. 2 of 2012, which added some land to areas where non-UAE nationals can own real estate properties for a period not exceeding 85 years (Hvidt 2011b: 52; Hanieh 2011: 112; Khaleej Times 22.06.2012; UNCTAD 2012b: 3).

Gulf region »economies are both deregulating and beginning the process of privatising state controlled industries and companies« (Toumi and Westley 2005; see also Dore 2005).

A brief look at some of the Gulf countries may serve to exemplify this trend of enhancing the private sector. In Bahrain from the 2000s onward, responsibility for economic policy-making gradually shifted to the Economic Development Board (EDB), a state agency established in 2001, which consists of seven ministers and seven private sector executives and has the aim to enhance the private sector and to attract foreign investment (Kinninmont 2011; WTO 2007a). Additionally, the official »Vision 2030« of the Bahraini government »seeks to gradually reduce the role of the state in favour of a more dynamic private sector economy« (Kinninmont 2011: 51). The process of privatisation, which started in 1989 with the Bahraini government selling its stake in five service companies and conducting privatisation in certain sectors, has gained momentum especially since the early 2000s as the Bahraini government started to privatise public sector holdings (WTO 2000a: 3, 46; WTO 2000b: 10-12). In fact, the Bahraini government itself has emphasised that »Privatization entailed re-defining the role of the Government as policy maker and regulator rather than a producer of marketable goods and services, resulting in downsizing Government, deregulating the private sector, and introducing business-friendly regulations« (WTO 2000c: 18). In this context the government established the Supreme Privatization Council in 2001 to manage the privatisation programme and issued a decree in 2002 which »stipulates that the privatization programme includes services and manufacturing, and, in particular: tourism, communications, transport, electricity and water, ports and airport services, oil and gas, and postal services« (WTO 2007a: 40; see also WTO 2014b: 43). In 2006, the government established a Privatization Committee to make policy decisions on privatisations and privatised the power generation and public transport sectors, deregulated the telecommunications sector and approved the privatisation of other sectors, including postal services and the sewerage network and treatment plants (WTO 2007a: 41; WTO 2007b: 9; WTO 2014c: 7). More recently, the government commented that, in line with its »Vision 2030«:

> »privatization remains a priority for the Government and includes a focus on: deregulation in order to encourage private investment in schools, hospitals and other public services. The Government's strategy is, by 2030, to move away from public sector employment and provide opportunities through the private sector. Accordingly, privatization will take centre stage as the private sector will remain the focus for economic growth« (WTO 2014c: 7).

In Oman the government also started to put emphasis on its aim to enhance the private sector. For instance, the Omani representative to WTO noted that Oman's economic policy consists of »four pillars […]: sustainable development with stable macroeconomic framework; a diversified, dynamic and globalized economy; advanced human resource development; and an efficient and competitive private sector. These objectives of economic policy are achieved through the instruments of: liberalization, diversification and privatization« (WTO 2014a: 32). The Omani government's attempts to enhance the private sector have gradually improved since the mid-2000s with economic liberalisations and privatisations (e.g. in the fields of water, electricity and telecommunications) introduced in the early 2000s (Valeri 2011). Regarding privatisations, the representative to the WTO noted that, as a policy instrument, it »is aimed at reducing the role of Government in the economy and putting the private sector in the driving seat for economic development« and that, despite the need to be cautious,[165] »the commitment of Oman to privatization remains strong and firm« with 30% of the telecom provider Omantel privatised in 2005 and state-owned entities identified for further privatisation (cited in WTO 2014a: 32).

In Kuwait too there emerged an increased attempt to enhance the private sector since the mid-1990s. Whereas Kuwait asked the World Bank in the late 1990s to prepare a study about the privatisation within its public sector (Al-Omar 1996: 35), it was especially the WTO accession process which also resulted in attempts to pursue the privatisation of state-owned entities and the telecommunication and utilities sectors. In 2010, Kuwait also established the Supreme Privatisation Council to effectively implement privatisations (Roberts 2011: 102-103). In this same year Kuwait also privatised its power and water desalination plants through introducing a new privatisation law (Kuwaiti News Agency 12.05.2010; UNCTAD 2010: 4-5).[166]

Saudi Arabia is equally characterised by attempts since the early 2000s to »embrace the private sector as the engine of economic diversification and growth« (Ulrichsen 2011a: 77). Regarding privatisations, after a study conducted in 1996 pointed to the incomes that could be generated by privatisations, the government started to concentrate on the privatisation of public utilities. However, privatisations gained momentum in the mid-2000s. The strategy at privatisations was thereby to establish a state-owned company which would take the operations in a certain sector and then would be privatised. For instance, in 1997 the Saudi Telecommunications Company took over the operation of the telephone system and was then privatised within 18 months. In 2002, 30% of the company were sold. A similar process also occurred in the case of the Saudi Electricity Company overtaking the operations and then being privatised. In 2000, the Saudi government signed an agreement with international banks and a law firm to work out a plan to privatise the Saudi Arabian Airlines. The plan was approved by the government in 2007 and foresaw that the airline would be transformed into different companies and then privatised. After the catering and ground services have been transferred to newly established private companies, the government announced that it also aimed to privatise its 27 airports in 2016. The privatisation of Saudi Arabia's Saline Water Conversion Corporation (SWCC), which operates more than 30 desalination plants, is ongoing (Shochat 2008: 29-30; Wilson 2006: 171; Arabian Business 16.11.2015; The National 05.01.2016; Oxford Business Group 2016). Importantly, in the case of Saudi Arabia, Niblock (2007: 188) emphasises that the embracement of the idea of privatisation and the related establishment of institutions (e.g. the Privatisation Committee and the Supreme Economic Council (SEC)) for establishing a suitable framework and for the drafting and implementation of laws illustrates that »Privatisation […] was not being regarded primarily as an easy way for the government to meet its budget deficit, but as a process involving structural transformation.«

165 The representative emphasised that »privatization of state enterprises has to be pursued cautiously with a view to building public consensus and avoiding political backlash. In this process, the interests of labour and consumers have to be safeguarded« (cited in WTO 2014a: 32).

166 See also http://investmentpolicyhub.unctad.org/IPM/MeasureDetails?id=574&hubc=null&rgn=&grp=&c=&t=&s=&df=&dt=&pg=104&map=false&isSearch=fals (accessed 09.06.2016).

Finally, the UAE has also pursued diversification through a more market-oriented development.[167] Thus, according to the Index of Economic Freedom of the Heritage Institute in the mid-2000s the UAE had advanced steadily regarding its measures of economic liberalisation since 1995. On this occasion an Abu Dhabi-based banker said: »I think we'll see further improvement in the UAE in the coming period as the government is continuing to liberalise the economy, improve the investment climate and give the private sector a bigger role in the domestic economy« (cited in Kawach 2002). Indeed, the UAE government itself has on many occasions emphasised the need for economic liberalisation (John 2006) and has noted in its 2012 report to the WTO (2012a: 5) that especially »The Ministry of Economy and the Ministry of Foreign Trade are currently pursuing the Government's progressive economic agenda, focused around economic liberalization, diversification and promotion of the role of the private sector.«

Regarding privatisation, in 1997 the UAE federal government established a Privatisation Committee to study privatisation possibilities and prospects (Shochat 2008: 30-31). In early 2000s it was reported that the »UAE continues to examine different options for privatisation of projects that have traditionally been run by government. […] In-depth studies of enterprises considered for privatisation are being carried out and experiences of other countries are being considered« (UAE 2002: 112). In 2007, the UAE government approved the privatisation of the country's utility sector and in early 2016, Sheikh Mohammed bin Rashid, Vice President of the UAE and ruler of Dubai, announced that the UAE government aims to privatise more public services (Rahman 2007; Arab News 08.02.2016; Norris 2016). One important step that the UAE took in 2004 was to liberalise the telecommunication sector. This was welcomed by local investors and also represented a right measure to attract more FDI. It was argued that this would bring more competition and eliminate the exclusive rights of Etisalat, the main provider in the sector of telecommunication (Abdulla and D'mello 2004; Eltayeb and John 2004).[168] Within this process it was even considered to privatise important state-owned companies such as Abu Dhabi National Energy Company, which is »evolving to become semi-private« (Almezaini 2013: 52).

Abu Dhabi was one of the emirates where privatisations gained momentum since the late 1990s.[169] In 1996, the emirate established a committee to oversee the privatisation of

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167 For the scope and content of diversification policies in the case of the UAE see the United Arab Emirates Yearbook for different years (e.g. UAE 2002, 2004, 2005, 2008)

168 During this period, an IT professor from Australia who was at that time in the UAE enthusiastically said: »It was a very surprising matter to me, as I arrived in the country for the first time to be met with the great news of liberalisation of the telecom sector. People are quite optimistic and looking forward to see more liberalisation in other sectors. I have seen people talking about the possibility of changing the corporate laws and the ownership of properties in the region. These are great developments which will help the country grow in every aspect« (cited in Eltayeb and John 2004).

169 But the privatisation efforts were also characteristic of other emirates. Especially Dubai was one of the most progressive emirates in the UAE in this regard. Thus, the head of the DCCI said in 2005 that Dubai is »a pioneer of privatisation movement on the regional level« (cited in Khaleej Times 13.07.2005). It is also based on these changes that Abdul Rahman Saif Al Ghurair, Chairman of the DCCI notes that »The private sector has played an important role in Dubai's rapid development. Behind the scenes, Dubai Chamber has played its part in representing, supporting and protecting the interests of the business community. We have helped to create a favourable business environment and promoting Dubai as an

water and electricity services and sold its shareholdings in two food production companies (Shochat 2008: 30). In 1998, the Abu Dhabi Water and Electricity Authority (ADWEA) adopted a public-private partnership scheme as a model for privatisation. The Oxford Business Group (2007: 55) notes that this model:

> »has been largely welcomed with government figures and private sector players alike asserting that it has improved efficiency and pricing. Under the new structure, four independent water and power projects (IWPPs) have been established in partnership with several international companies including International Power, Total, Tractebel, Mitsui and Tokyo Electric Power Company (TEPCO). Abu Dhabi and the UAE now have four plants operating under the IWPP system and there are more in the pipeline« (see also UAE 2004: 177-178).

In 2004, the emirate issued the Resolution No. 5 for 2004, which builds the legal and organisational framework for the newly-established public joint stock company General Holding Company (GHC) to take over public industrial holdings and to sale public utilities to the private sector.[170] In 2006, Abu Dhabi initiated steps to privatise its sewerage system through the establishment of Abu Dhabi Sewerage Services Company (ADSSC) under the supervision of ADWEA (UAE 2005: 118; UAE 2007: 182). According to the Oxford Business Group (2007: 55) »This will mean that the provision of water, power and waste management services in the emirate are almost completely run by the private sector as well as being part owned by private investors.«

These increased privatisation efforts in Abu Dhabi insofar reflect the statement of the chairman of the Abu Dhabi Economy and Planning Department, Shaikh Hamed bin Zayed Al Nahyan, who already in 2005 said that »The time is now right for privatisation. […] We want [to] privatise all the services and industries that are not the core business of government«; he added that apart from some strategic industries privatisations were necessary: »When it comes to basic commodities and services, I see no reason for the government to have any stake in such companies in the long term« (cited in Gulf News 19.11.2005). In April 2008, a »Privatization of Infrastructure and Facilities Conference« was held in Abu Dhabi. At this conference, Hareb Al Darmaki, the chairman of Abu Dhabi Securities Market (ADSM) stated that »Privatisation of government companies and corporatization of family-owned national conglomerates are the keys to mobilizing the private sector contribution to the Abu Dhabi growth and success story«, and added that »For Abu Dhabi, the benefits of privatisation are clear and there are few – if any disadvantages« so that

international business hub and will continue to do so for the next 40 years to come and beyond« (cited in Baslt 2011). In 2010, it was reported that Dubai announced that it wants also to privatise its power generation and water desalination sectors. This was announced by the Dubai Electricity and Water Authority (DEWA) who serves nearly 600,000 customers in Dubai. The CEO of DEWA, Mohammed Al Tayer, was reported to have said that »he was keen to get the private sector involved in power and water generation« (China View 12.01.2010). It was then in June 2011 that the emirate of Dubai amended Decree No. 1 of 1992 establishing the DEWA and introduced the DEWA Decree Amendment Law No. 6 of 2011 in order enable the participation of the private sector in power generation and water desalination (Das Augustine 2011; UNCTAD 2011b: 5). Additionally, the field of infrastructure and tourism was completely left to the private sector (Shochat 2008: 21). In September 2015 Dubai also passed a new law on public-private-partnership in order to encourage private investments (Invest 2016a: 13).

170 For this process of privatisation, which should include the privatisation of fodder, cement, steel and pipe plants and flour mills, the Emirate of Abu Dhabi appointed the international bank HSBC as a financial consultant (UAE 2005: 118).

»the time is right for privatisation to fuel the next stages of our expansion« (ADWEA 2008).[171]

There are two important points to be emphasised regarding this increased trend towards a market-oriented development including liberalisation and privatisation. First, it should be remarked that many international economic organisations such as the IMF, the World Bank and the WTO have continuously emphasised the need for economic liberalisation and privatisation in the Gulf countries (Sharif 2006; Khaleej Times 27.06.2003, 10.09.2003). Abdulla (2006: 186) notes in this context that the global economy demanding open markets was an important factor for the move of the Gulf States towards a market-oriented economy and remarks that Gulf States »have been exposed to direct global forces for the last three decades« and eventually »have started to fully agree about the benefits of free trade and privatization« (see also Ali 1999).

The accession process of the Gulf States to the WTO (Shochat 2008) as well as their close relation with the IMF has also been important factors in this move. For instance, in 1997 the IMF noted that there was a broad consensus between the IMF and the Gulf States on what needed to be done, and that it »makes our policy dialogue with the GCC countries […] more fruitful as we focus less on *what* to do and more on *how* to do it« (IMF 1997, emphasis in original). It has accordingly been stated that in the Gulf region »policies are moving in the right direction« (IMF 2006: 19). In fact, the IMF has been very much involved in the economic process within the Gulf region. Masood Ahmed, Director of the Middle East and Central Asia Department at the IMF, for instance, emphasised that »the IMF is actively engaged with the GCC countries« on different levels, including, first, yearly meetings with Gulf countries in the context of Article IV consultations at which »we […] discuss the economic situation and the government's policies«; second, participating at the annual meetings of the Gulf finance ministers and central bank governors; third, providing »technical assistance to the GCC countries on topics that are at the top of the policy agenda in the region«; fourth, providing »training on economic and financial issues to government officials from the region«, especially through the IMF's regional training centre and through the Middle East Center for Economics and Finance which is based in Kuwait; fifth and finally, organising »conferences on important policy issues in collaboration with GCC countries« which cover topics such as private sector growth and the challenges of economic diversification (cited in Gulf Affairs 2015: 48).[172]

Hanieh (2011: 105) too points the importance of international economic organisations and the agreements the Gulf States signed with them and argues that »These agreements acted as disciplinary mechanisms that pushed individual countries to increasingly open their economies to capital flows.« Hanieh (2011: 105-106) especially refers to the WTO accession process of Saudi Arabia which began in 1996 and was completed in 2005 and notes that this:

171 It has, however, to be noted that compared to the above-illustrated process in the Gulf countries, in Qatar it is still mainly public investment that dominates, which means the enhancement of the private sector there is more limited (Wright 2011: 124-127).

172 It was also the UAE (Dubai) where in the early 2000s the Boards of Governors of the IMF and World Bank held their meetings for the first time in an Arab country. This was regarded by local financial institutions as a very important opportunity to highlight the integration of the region into the global economy, to promote the region on a world stage and to highlight the business opportunities in the region (Khaleej Times 24.08.2003, 29.08.2003).

»protracted and complicated process […] was predicated on a series of sweeping institutional reforms that reshaped the decision-making structure of the state – setting up institutions that were closely tied to ›reform-minded‹ individuals in the state and leading business elites – and enhancing a series of laws around privatization, opening up of the Saudi economy to foreign investment, and the reduction of tariffs and other obstacles to the inflow of capital.«[173]

It is in this context that the WTO accession process of Saudi Arabia »did inject a new dynamic into the economic reform process« (Ulrichsen 2011a: 79) and resulted in the establishment of institutions such as the SEC in 1999 and the SAGIA in 2000 in order to enable privatisations, to open up the Saudi market and to attract foreign investments (Niblock 2007: 186-187).[174]

The second important point is that one of the main important aspects of the above described processes of transformation (economic liberalisation and privatisation) has been that it has resulted in the creation of what Hertog (2013: 2) calls the »Gulf bourgeoisie«: He notes that »At a superficial glance, the private sector seems to have become the driver of development in the Gulf. Given this strategic role, it is not a big jump to expect it to become a political player with leverage over government – in other words, a true ›Gulf bourgeoisie‹«. This aspect has been most thoroughly elaborated by Hanieh (2010, 2011), who through a detailed analysis of capital accumulation in the productive, commodity and finance circuits in the Gulf region traces the formation of what he calls the »Khaleeji capital«. Importantly, he not only illustrates the increased presence and dominance of the »Khaleeji capital« in the Gulf economies, but also shows that it is increasingly turning out to be an important international player, and has also »a growing influence on financial and economic policy-making throughout the GCC« (Hanieh, 2011: 147).

In fact, the whole process from the 1990s and 2000s onward, which included economic reforms and economic liberalisation steps with the transfer of public companies and utilities to the private sector through privatisations, has especially benefited nationally based businesses and not so much international investors and multinational companies (Hertog 2013: 3-4).[175] But one of the important underlying reasons for the increased move towards a market-oriented development including economic liberalisation and privatisation was thereby that Gulf States themselves, as well as international economic organisations, argued that this would also result in an increase of FDI to the Gulf region which would then further contribute to the economic growth and to the diversification efforts (Sharif 2006; Shochat 2008; Khaleej Times 27.06.2003, 10.09.2003).[176] The following sections of the chapter will therefore ask if and to what extent the region witnessed a change

173 Hertog (2010: 223-245) provides a more detailed analysis of the complicated accession process of Saudi Arabia to the WTO from an institutionalist perspective.

174 In the case of Bahrain, the representative to the WTO, commenting on the process of trade policy reviews, has noted that »these reviews provide a platform for Member States to share policy initiatives and measures, and enhance the national coordination and implementation of such initiatives and measures within Government entities, the business community and private stakeholders« (cited in WTO 2014a: 28).

175 For instance, it was only in June 2015 that the UAE government has allowed that 20% of the shares of Etisalat can be owned by foreign investors (Everington 2015).

176 In fact, in 2003 Dr. Jassim Al Mani, the then director general of the Arab Monetary Fund, pointed to the link between privatisations and FDI by noting that »privatisation and foreign direct investment are correlated […]. Without privatisation of important activities, it is difficult to expect a significant foreign direct investment« (cited in Salama 2003a).

regarding FDI and what kind of policies were discussed, developed and implemented in the specific case of the UAE.

3. Trends in FDI to the Gulf region: The upsurge

Regarding flows of FDI it is indeed true that certain regions of the world, especially Europe, North America and certain Asian countries such as China are the most important target regions. Therefore, at first sight the Gulf region does not seem to play an important role regarding these flows. A look at the overall average value of FDI for the period 1985-2000 shows that out of the worldwide average value of almost 374 billion USD in FDI, the GCC region only accounted for around 0.74 billion USD which is equal to about 0.2%.[177] However, the period from the early 2000s onward seems to represent a turning point as FDI to the region started to increase (Table 24). Although constituting still a small part of worldwide FDI, during the period 2001-2014 the average share of FDI flowing to the GCC region at the overall FDI flows increased to 2.2%. In 2008 and 2009 this share even increased to more than 4%. Thus, although the Gulf region may be considered as a region which still attracts relatively less FDI it is especially the rapid increase of FDI flows from the early 2000s onward which makes the region important (Hvidt 2011b; Toone 2013). More detailed data from UNCTAD on the FDI inward stock illustrates that the value of the FDI inward stock of the Gulf region increased 20 times from the mid-1980s to 2012, and that the region as a whole accounted (with some exceptions) for almost half of all FDI inward stock in the region of West Asia during the same period (Table 23). The rapid increase starting in the late 1990s accelerated at the beginning of the 2000s so that »in the time frame between 2003 and 2011, within the Middle East, the GCC states alone attracted 79.1% of FDI projects« (Bossdorf et al. 2013: 18).

A look at this increase of FDI inward stock on a percentage basis reveals that the period from 2000 to 2012 witnessed an immense increase of 1153%. Toone (2013: 694-696), who has calculated this increase in more detail, notes that FDI inward stocks between 2002 and 2010 witnessed an increase of 915.9%, being the highest increase around the world (Table 24). Considering FDI inflows Toone (2013: 679) notes that the overall in-crease of the Gulf region was even 2533%, »significantly outpacing global increases (108%) during the same period« (Table 25). The global economic crisis in 2007-2008 of course had a severe effect also on FDI to the Gulf region.[178] But despite this decline the increase of FDI in the Gulf region since the early 2000s »has witnessed a yearly percentage increase in FDI that rivals any economic union, region, or individual state anywhere in the world« (Toone 2013: 679).

177 This and the following data are retrieved or calculated based on the statistics provided by UNCTADstat. See http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?IF_ActivePath=P,5&sCS_ChosenLang=en (accessed 20.04.2016).

178 FDI inflows to the Gulf region suffered from the cancellation of large-scale investment projects, especially in the field of construction, as the projects could not be financed (UNCTAD 2012a: xvii, 49). Foreign banks, especially European ones, retreated from project financing and »foreign bank lending to the GCC on aggregate has declined by 5 per cent between September 2008 and March 2012« (UNCTAD 2013: 55). Especially Dubai was hit hard where the construction sector slowed down. Many companies operating for state-owned or state-supported UAE companies did also not get their money (The Economist 09.07.2009).

Table 23: FDI inward stock in West Asia, 1980-2012

	1980	1985	1990	1995	2000	2005	2010	2012
West Asia, total	10,990	29,058	31,224	42,785	68,563	197,620	600,202	660,217
GCC, total	1,066	18,272	18,319	23,993	29,649	81,497	320,755	371,677
Saudi Arabia	...	16,072	15,193	17,056	17,577	33,535	170,451	199,032
UAE	409	482	751	1,770	1,069	27,508	77,727	95,008
Qatar	83	84	63	442	1,912	7,155	30,564	30,804
Bahrain	61	399	552	2,403	5,906	8,276	15,154	16,826
Oman	483	1,201	1,723	2,227	2,577	4,378	14,987	17,240
Kuwait	30	33	37	94	608	645	11,873	12,767
Others, total	9,924	10,786	12,905	18,792	38,914	116,123	279,447	288,540
Turkey	8,801	9,209	11,150	14,933	18,812	71,302	186,980	181,066
Iraq	...	...	...	...	...	1,779	7,984	12,616
Jordan	908	1,245	1,368	1,379	3,135	13,229	21,899	24,775
Lebanon	20	34	53	138	14,233	25,688	45,612	52,885
Palestine	...	...	...	...	647	789	2,175	2,572
Syrian Arab Republic	...	15	154	460	1,244	2,532	9,939	9,939
Yemen	195	283	180	1,882	843	803	4,858	4,688

Notes: 1. Measured in millions of dollars at current prices and current exchange rates., 2. Three points (…) indicate that data was not available.
Source: UNCTADstat

Table 24: Inward FDI Stock of the Gulf countries[1]

	2002	2010	Increase in %
GCC, total	31,435	319,347	915.90%
Bahrain	6,203	15,154	144.30%
Kuwait	444	11,235	2430.41%
Oman	1,874	14,217	658.64%
Qatar	2,831	30,564	979.62%
Saudi Arabia	17,734	170,450	861.15%
UAE	2,348	77,727	3210.35%

Note: 1. Measured in millions of US dollars at July 12, 2012, prices and exchange rates
Source: Toone (2013: 696, 694)

Table 25: Inward FDI Flows of the Gulf countries[1]

	2002	2010	Increase in %
GCC, total	1,515	39,892	2533.14
Bahrain	217	156	- 28.11%
Kuwait	4	319	7875.00%
Oman	122	1,142	836.07%
Qatar	624	4,670	648.40%
Saudi Arabia	453	28,105	6104.19%
UAE	95	5,500	5689.47%

Note: 1. Measured in millions of US dollars at July 12, 2012, prices and exchange rates
Source: Toone (2013: 690)

The increased role of FDI in the Gulf region can also be illustrated in the case FDI inward stock as percentage of GDP. Thus, according to data from UNCTAD in Saudi Arabia FDI inward stock as a percentage of GDP increased from 9.4 % in 2001 to 28.0% in 2013. In the UAE there was an increase from 2.2% in 2001 to 26.6% in 2013. Similar increases also occurred in other Gulf countries (Table 26). The comparison of the average of FDI inward stock as a percentage of GDP for the periods 1990-2000 and 2001-2013 equally illustrates the increased role of FDI (Table 27).

Table 26: Gulf FDI inward stock as a percentage of GDP, 1990-2013

	1990-2000[1]	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bahrain	48.8	66.7	64.7	60.7	55.9	51.8	60.5	59.6	57.3	65.4	58.9	54.9	55.4	55.3
Kuwait	1.0	1.2	1.2	0.8	0.7	0.8	0.8	0.8	5.9	9.7	9.9	9.5	10.3	11.5
Oman	15.9	13.3	13.5	12.7	11.5	14.2	16.2	22.2	20.2	28.5	26.4	24.4	23.2	24.5
Qatar	6.9	12.6	14.6	14.7	14.7	16.1	17.5	19.3	15.4	26.5	24.4	17.8	16.0	14.8
Saudi Arabia	11.4	9.4	9.4	8.6	7.9	10.2	13.4	17.7	21.5	34.3	32.4	27.9	28.0	28.0
UAE	2.2	2.2	2.1	5.3	11.2	15.2	18.1	21.1	21.6	28.3	27.0	24.5	24.8	26.6

Note: Average
Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics)

Another important indicator illustrating the increased role of FDI is the share of FDI inflows at the gross fixed capital formation. Data from the UNCTAD shows that between 2000 and 2013 almost all Gulf countries witnessed an increase of this share. In the case of Saudi Arabia, the share rose from 1.5% in 2001 to 33.3% in 2008 and then, due to the economic crisis, decreased to 5.6% in 2013. In the UAE the share rose from 5.5% in 2001 to more then 30% in the mid-2000s and then, also due to the economic crisis, declined to 5.5% in 2009 (Table 28).

Table 27: Gulf FDI inward stock as a percentage of GDP, average, 1990-2013

	1990-2000 average	2001-2013 average
Bahrain	48.8	59.0
Kuwait	1.0	4.8
Oman	15.9	19.3
Qatar	6.9	17.3
Saudi Arabia	11.4	19.1
UAE	2.2	17.6

Source: Own calculation based on UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics)

Table 28: GCC FDI inflows as a percentage of gross fixed capital formation, 1990-2013

	1990-2000[1]	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bahrain	41.6	5.3	9.8	19.8	29.2	25.6	53.4	24.1	20.2	4.4	2.3	17.2	15.1	15.7
Kuwait	1.2	-2.3	0.1	-0.9	0.3	2.0	0.7	0.5	0.0	5.9	5.8	14.1	14.2	8.3
Oman	3.4	0.2	3.2	0.5	1.8	21.5	17.9	26.0	16.2	8.9	10.9	8.5	4.5	6.8
Qatar	6.2	7.2	11.1	8.8	12.5	17.5	18.0	12.8	8.0	19.3	11.9	-0.2	0.6	-1.5
Saudi Arabia	0.9	1.5	1.3	2.0	3.9	19.1	23.7	24.7	33.3	33.0	22.7	10.8	7.7	5.6
UAE	0.2	5.5	0.4	16.5	36.2	32.8	32.8	23.3	19.4	5.5	7.7	10.0	11.4	12.1

Note: 1. Average
Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics)

The comparison of the average of FDI inflows as a percentage of gross fixed capital formation for the periods 1990-2000 and 2001-2013 equally illustrates the increased role of FDI (Table 29).[179] It has to be noted that previous to the outbreak of the more recent global economic crises these shares were even higher. In Saudi Arabia the share reached its height in 2008 and 2009 with 33%. In the UAE the share reached its height in 2004 with more than 36%.

179 The immense decrease in the case of Bahrain may be explained by the fact that Bahrain established itself as regional financial centre, which was, accordingly, hit worst by the recent global economic crisis.

Table 29: Gulf FDI inflows as a percentage of gross fixed capital formation, average, 1990-2013

	1990-2000	2001-2013
Bahrain	41.6	18.6
Kuwait	1.2	3.7
Oman	3.4	9.8
Qatar	6.2	9.7
Saudi Arabia	0.9	14.6
UAE	0.2	16.4

Source: Own calculation based on UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics)

Especially from the 2000s onward industries such as tourism, electrical and electronic plants and various high-technology industries have become attractive for foreign investors (UNCTAD 2000: 56). In more recent years, in addition to the increased importance of investments in the financial sector, the construction sector has become another important sector for FDI. UNCTAD (2012a: 49) notes that construction turned out to be »one of the most important areas for investment to have emerged in the last oil boom, and the pace of its activity is among the key indicators of investment behaviour in housing, tourism, infrastructure, refineries, petrochemicals and real estate, where foreign investment prospered during the boom years.« In Saudi Arabia, the largest market of the Gulf region, »the share of foreign companies in the value of contracts awarded to the 10 largest contractors was 48 per cent in 2013, but foreign contractors held 53 per cent of the value of the 10 largest projects under execution as of June in that year« (UNCTAD 2015: 56). The UAE also turned out to be an important target country for FDI in the construction sector (Mina 2014). The sectoral distribution of inward FDI in the UAE from the mid-2000s illustrates that construction, building and real estate have accounted for almost 40%, in 2007/08 even more than 40% of inward FDI to the UAE (Table 30).

Hvidt (2011b: 39), who points to the general increase of the construction sector in the Gulf region, writes that »Each emirate or sultanate seems to strive to establish a skyline in glass, artificial islands with luxury homes, marinas, golf courses and themed shopping malls.« Importantly, Hanieh (2011: 111) notes that this increase in the construction (and manufacturing) sectors was also confirmed by a look at the employment in the Gulf countries. Thus, in 2005 in Saudi Arabia and in the UAE these two sectors accounted for almost 50% and 37% of the labour force, respectively.

Main source countries of FDI to the region still remain Western countries, especially European countries and the US. For the period 2005-2010 the top three home countries of FDI to the UAE were Japan, the US and Italy. Other important home countries were the United Kingdom, Switzerland, Luxembourg and Denmark. According to data from the UAE National Bureau of Statistics for 2013 the United Kingdom, France, the United States are important source countries, and main Western source countries together account for almost 30% of FDI in the UAE (Mina 2014: 1718; Hvidt 2011b: 52). According to the most recent data, in 2013 the largest investors in the UAE were from the United Kingdom, followed by India and France (Table 31; WTO 2016a: 17).

Table 30: Sectoral distribution of FDI in the UAE, 2005-2009 (% of total)

	2005	2006	2007	2008	2009
Financial institutions	25.8	22.9	20.7	20.7	22.9
Construction and building	24.2	22.0	19.3	19.3	21.9
Wholesale and retail	14.4	13.8	10.3	10.3	13.7
Real estate	13.2	17.2	27.9	27.9	17.2
Manufacturing industries	10.0	9.7	8.2	8.2	9.7
Transportation and communications	4.5	7.2	4.1	4.1	7.3
Extraction industries	2.6	2.5	3.1	3.1	2.6
Electricity and water	2.1	2.1	4.8	4.8	2.1
Hotels and restaurants	2.1	1.7	1.0	1.0	1.8
Agriculture and fisheries	0.3	0.1	0.2	0.2	0.2
Other	0.6	0.7	0.3	0.3	0.7

Source: Mina (2014: 1720)

Table 31: Main source countries' share in the overall value of FDI in the UAE, 2013

Country	Share
United Kingdom	13 %
India	6 %
France	6 %
US	5 %
Japan	4 %
Saudi Arabia	4 %
Iran	4 %
Switzerland	4 %
Kuwait	3 %
Other countries	51 %

Source: UAE National Bureau of Statistics

However, Asian countries have also started to play an important role. China especially has gained an important role, not only because of oil supplies but also because of the overall economic cooperation between China and the Gulf States (Mina 2014; Thorpe and Mitra 2008; Momani 2008). According to the Economist Intelligence Unit, Chinese investments in the Gulf region have become important. For instance, between 2005 and 2014 Chinese contracts in the Gulf region ranged at 30 billion USD, which was equal to 8% of China's worldwide contract wins. Additionally, the Gulf region has also become a significant market in the field of telecommunications so that it now constitutes an important market for Huawei, the Chinese telecoms giant (EIU 2014a: 9). Adil Al Zarooni from the Economic Zones World notes that in the Jebel Ali Free Zone (JAFZ) alone there are 248 Chinese companies (Invest 2015a: 17). Syed Mustafa, chairman of Maxx Logistics, a joint venture between Saudi Arabia's Al Majdouie Group and China's Sinotrans Limited, notes too that there is growth in Chinese interests, especially in

Dubai and that »Every Chinese logistics company wants to come to the Gulf and they all want to start out in Dubai« (cited in Invest 2015a: 17).[180] It has been in this context also reported that the UAE is the second largest trade partner of China in the Middle East (China Daily 16.12.2016).

India, apart from its historical economic importance for the Gulf region, is also one of the main source countries FDI and is also gaining new importance. Indian investors are increasingly setting up businesses in the region. A landmark shift was in 2006 as King Abdullah of Saudi Arabia paid a visit to India, which had turned into an important trade partner accounting for 11% of Gulf exports (EIU 2014a). But the UAE is maybe one the most important countries regarding economic relationships between India and the Gulf region. For instance, the number of Indian companies operating alone in the JAFZ more than tripled between 2002 and 2013, increasing from 236 to 770. Additionally, more than half of the companies at the Dubai World Central Business Park Free Zone are fully or partially owned by Indian investors (Cernigoi 2014). But importantly, according to the EIU (2014a) the Indian membership of the DCCI rose by 41% between 2009 and 2012, and data from Alpen Capital, an Indian Dubai-based investment bank, shows that India is the third-largest investor in the UAE (see also Table 31).[181] Paras Shahdadpuri, president of the Indian Business and Professional Council, notes that there are 45,000 Indian companies operating in the UAE and that more than 30,000 of them are located in Dubai (Invest 2014a: 10). According to Atiq Juma Nasib from the DCCI, »Each year, we are witnessing an average of 2.000 new Indian companies setting up businesses in Dubai« (cited in Cernigoi 2014: 9). On the political level these relationships were complemented by establishing a UAE-India High Level Task Force on Investments and a Bilateral Investment Promotion and Protection Agreement in 2013 (Cernigoi 2014).[182]

One of the main important aspects of the above-illustrated increase of FDI is that Saudi Arabia and the UAE have been the main countries within the Gulf region attractting FDI. In 1995, Saudi Arabia and the UAE alone accounted for almost 80% of all FDI in-ward stock in the Gulf region. In 2005 the share was almost 75%, and in 2012 it was again almost 80% (Table 23) (see also UNCTAD 2013: 54).[183] Therefore, Saudi Arabia and the UAE have been the most prominent countries attracting FDI. According to the Dubai Investment Development Agency, in 2015 the emirate of Dubai was even ranked as the 6th city globally in foreign capital investment attracted (Dubai FDI 2016: 3). Regarding the increase of FDI heading to the Gulf region,

180 Equally important is that Gulf investments in China are also on the rise. Ben Simpfendorfer, founder and managing director of Silk Road Associates, a consultancy, says that there is »absolutely no doubt that China's ties with the GCC are strengthenig and they will continue to strengthen over the long term. But it would be wrong to equate that to an easy relationship or a relationship that will develop overnight. It's a long and evolutionary process. Ultimately, both regions have priorities elsewhere. China has to focus on the US, Europe, and other Asian countries before it starts to think about the Middle East. And even then considerations on the Middle East are mixed up with those on Africa or Russia, for instance. The GCC naturally also has its own priorities« (cited in EIU 2014a: 11).

181 See on this also the UAE Embassy in India, http://www.uaeembassy-newdelhi.com/uae-indiarelations_economic&trade.asp (accessed 28.11.2016).

182 For the increased importance of foreign investments between the Gulf region and Asia see also Davidson (2011d) and Thorpe and Mitra (2008).

183 If Qatar is included the share of these three countries at inward FDI for the year 2012 reaches almost 90%.

especially to the UAE, it remains to be explored what kind of policies towards FDI emerged, developed and were implemented.

4. State policies towards FDI: Between progress and stalemate

4.1. The move forwards: Favourable FDI policies

The above-illustrated processes of economic liberalisation and privatisation accompanied by an upsurge of FDI and the increased presence of FDI within the economies of the Gulf States have developed in congruence with liberal policies aimed at attracting FDI (Hvidt 2011b).[184] In fact, already in 2001 the Economic Agreement between the GCC states emphasised the need for creating an attractive environment for FDI.[185] In 2003, the SAGIA in Saudi Arabia, the EDC in Bahrain and the Dubai Development and Investments Authority in the UAE produced a study on FDI, which:

> »clarifies the points of weakness and strengths of the three countries regarding the investment climate and the obstacles that impede investments in them, which have to be dealt with effectively to increase the FDI in the region. To attract more FDI, governments have to reform the laws and regulations to enlarge markets, provide more investment opportunities, facilitate manufacturing projects, create an active business environment, infrastructure and licensing procedures« (Gulf News 24.09.2003).

The UAE has been one of the most prominent countries in this sense. Ali (2002) refers in this context to a story that is often told regarding Dubai's success of attracting foreign investments:

> »An old story goes that once an investor from Australia planned to set up a business in the Gulf region and wanted to clarify the requirements with the concerned authorities. He approached Saudi Arabia and was told it must meet several conditions. Then the would be investor approached Bahrain, which enlisted fewer restrictions. Finally, he wrote to Dubai, and to his surprise the authorities told the firm to list conditions that would satisfy him to set up a venture in the emirate.«

Indeed, the whole period from the late 1990s onward is characterised by liberal attempts of the UAE to attract FDI. Some of the reforms undertaken have eased doing business and thus encouraged investments. Other reforms made it easier to start a business by simplifying bureaucratic procedures, and making it easier to obtain licences and to register the company (Mina 2014: 1727).[186]

The government of the UAE has thereby often referred to its liberal attitudes towards FDI. In 2006, for instance, the Minister of Economy declared that they would be open for international investors, and that the UAE »has created a conducive investment climate that gravitates investors, including privileges such as free taxes in all sectors (excluding banking), free flow and unrestricted repatriation of profits, free movement of labour, negligible barriers to entry and more importantly access to the Arab market with 300 million consumers« (Khaleej Times 31.01.2006). In its report to the WTO, the UAE government notes that it:

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184 The World Investment Report 2006 noted that the region of the Middle East as a whole is characterised by an »improved investment climate« (Gulf News 17.10.2006).

185 See Art. 5 of the Agreement at sites.gcc-sg.org/Dlibrary/download.php?B=168 (accessed 03.06.2016). The Agreement also foresees that member states should take steps to »Unify all their investment-related laws and regulations« (Art.(1)).

186 In one of its latest reform efforts, for instance, the UAE government made it easier to set up hotels in the Emirate of Dubai by shortening the approval process from six months to two months and by scrapping fees related to the use of land (UNCTAD 2014: 12).

> »strongly believes that the private sector (both local and foreign) is the true engine of growth in the long run. Foreign direct investment [...] is regarded as crucial in order to transfer knowledge and expertise in areas that are not yet the country's core competencies, open new market opportunities by the creation of new networks and create employment in knowledge intensive and high value-added sectors« (WTO 2006: 5).

The UAE Yearbook 2008 states that »The UAE places a high value on FDI and has invested heavily on improving its infrastructure, simplifying its laws and regulations, and bolstering the business and investment climate in order to encourage inward investment« (UAE 2008: 90). In 2013, as the UAE was (after Saudi Arabia) ranked as the second country attracting the most FDI in the Arab region, Shaikha Lubna, who was the Minister of Economy then, said that »The United Arab Emirates adopts an open door policy to attract foreign investments and the central government is taking the necessary steps to establish the rules that facilitate investments« (cited in Middle East 2013: 13). Such announcements of the UAE government were thereby supported by international economic organisations. The WTO (2006: 17, 1), for instance, notes that »UAE's economic environment is generally liberal and business-friendly« and that the UAE has »a generally pro-business stance«. According to the UAE government's UAE Vision 2021, the aim is to be among the top ten in the Global Competitiveness Index of the WEF and to have the first rank in the Ease of Doing Business Index of the World Bank by 2021.[187] A joint report by the HSBC and PwC noted that currently some 80% of Fortune 500 companies (including all of the top 10) have established a presence in the UAE (HSBC and PwC 2012: 10).

It is also in this context that in 2003 Shaikh Mohammed bin Rashid Al Maktoum, who was the Crown Prince of Dubai at that time, was chosen as the FDI Personality of the Year by the Financial Times Group. He was awarded because of his efforts to open up and to liberalise the economy and because of his recognition of the importance of FDI (Khaleej Times 11.06.2003). In the 2004 World Investment Report, the UAE was listed among the world's most attractive destinations for investments out of 140 countries (Srinivasan 2004). In 2008, A.T. Kearney's Foreign Direct Investment Confidence Index (FDICI), which is based on responses by investors, ranked the UAE eighth among the most attractive global investment destinations (Gulf News 01.06.2008). Although the UAE faced a drop in 2012 on the same index (15th rank) it remained that the UAE, but especially the Emirates of Dubai and Abu Dhabi »were the two most preferred destinations for future investments in the Middle East« (Mina 2014: 1728). It is also in this context that the then Minister of Economy, Shaikha Lubna called it a »great achievement« that the UAE is a prominent global investment destination and the Chairman of the Executive Committee of the Dubai Economic Council noted that »We live in one world that is open to a wealth of opportunities, so there is no escape from opening more channels for foreign investors supported by a foreign investment regulation that is essential for developing and promoting the investment climate in the UAE« (cited in Gulf News 01.06.2008). More recently the government of Dubai established the Dubai Investment Development Agency (Dubai FDI) within the Department of Economic Development in order to provide guidance and support for foreign investors. More specifically, Dubai FDI was established to advice foreign investors

187 The UAE Vision 2021 can be accessed at https://www.vision2021.ae/en/national-priority-areas/nkpi-export-pdf (accessed 07.06.2016)

on investment opportunities and the legal procedures related to FDI, to support foreign investors at completing investment-related bureaucratic procedures and to share or to open up their network of professionals to foreign investors.[188]

4.1.1. Creating spatial incentives for FDI: Free economic zones

One of the main and earliest policies of the UAE to attract FDI has been to establish free economic zones (FEZs). It has been in this context often pointed to the progressive improvements regarding FDI with the expansion of FEZ, and to the »vital steps on the regulatory front« which the UAE has taken in this regard (Arab News 23.02.2007; see also Gulf News 09.01.2003). It is also emphasised by the IMF (2005: 5) and the WTO (2006: 2) that FEZs made the UAE an attractive place to invest. This is also the backdrop for why the then Minister of Economy, Shaikha Lubna Al Qasimi, said in 2010 that »The UAE's free zone model has proved to be an excellent catalyst for development in line with our vision for diversified economic growth« (cited in Rahman, S., 2010).

In 2002 there were 12 FEZs in the UAE (UAE 2002: 126). Currently, there are almost 40 FEZs, mainly in the Emirate of Dubai (Table 32). In 2010 there were more than 200,000 companies registered in these zones (Bitar 2012; Rahman, S., 2010). The FEZs cover different sectors including manufacturing, transport and logistics, IT, technology, media, cars/automo-bile, and commodities trade with gold, diamonds and pearls.[189] Many of the FEZs have been thereby awarded many times. In 2010, for instance, the Financial Times fDi magazine named the Dubai Airport Free Zone as the best free zone in the Middle East and the second best in the world (after Shangai Waigaoqiao Free Trade Zone) among 200 free zones. In 2013, the zone was again named the top Middle East free zone by the same magazine. In 2015, Dubai Multi Commodities Centre (DMCC) has been named Global Free Zone of the Year by fDi magazine. Similarly, in 2015 the Jebel Ali Free Zone (JAFZ) was recognised by the same magazine as the »Free Zone of the Year« (Saleem 2010; Gulf News 23.06.2013; Arabian Business 17.10.2015; WAM 07.10.2015).[190]

188 See http://www.dubaifdi.gov.ae/ (accessed 24.06.2016).

189 The Emirate of Dubai even established the free zone International Humanitarian City (IHC) in 2003 which is »the world's largest logistics hub for humanitarian aid« (Arabian Business 15.04.2016). On its website the IHC notes that it hosts nine UN agencies and 50 NGOs and commercial entities and has the aim to enable »aid agencies to reach victims of crises and alleviate the suffering of those who are scarred by hunger and poverty.« The IHC further declares that its capabilities and strategic location »have helped deliver assistance in some of the worst humanitarian crises of the past decade, including the 2010 Haiti earthquake, the recurring wars in Gaza, the Syrian refugee crisis in Jordan, the Ebola epidemic in West Africa, as well as the Nepal earthquake and Cyclone Pam in 2015. IHC has also carried out several evacuation operations over the years protecting over 600 UN staff from conflict in Afghanistan, Yemen and Egypt.« See http://www.ihc.ae (accessed 03.06.2016).

190 See also http://jafza.ae/about-us/chairmans-message/ (accessed 23.04.2016).

Table 32: Free economic zones in the UAE (selection)

	Name	Emirate	Established	Main focus (selective)	Number of businesses	Number of workers
1	Jebel Ali Free Zone	Dubai	1985	Transport, logistics, manufacturing, steel, warehousing	7,500[1]	144,000/ 170,000[2]
2	Ajman Free Zone	Ajman	1988	General trading, professional services, industrial production	948[3]	n/a
3	Sharjah Airport International Free Zone	Sharjah	1995	IT, services, media, manufacturing	6,500[4]	n/a
4	Hamriyah Free Zone	Sharjah	1995	Petrochemicals, oil and gas bunkering and storage[5]	4,970[6]	n/a
5	Dubai Airport Free Zone	Dubai	1996	Electronic, engineering, aviation, logistics and freight	1,500[7]	12,000[7]
6	Ahmed bin Rashid Free Zone[8]	UAQ	1998	General trading, business services, light industrial production	n/a	n/a
7	Dubai Internet City	Dubai	1999	ICT service, software, internet, multimedia	1,200[9]	n/a
8	RAK Free Zone	RAK	2000	Light industries, manufacturing	8,600[10]	n/a
9	Dubai Auto Zone	Dubai	2000	Re-exporting used cars	420[11]	n/a
10	Dubai Media City	Dubai	2001	Media, marketing, advertising, ICT[12]	2,000[12]	20,000[12]
11	Gold & Diamond Park	Dubai	2001	Gold and jewellery industry	155	n/a
12	Dubai Multi Commodities Centre	Dubai	2002	Commodity market place: gold, precious metals, diamonds	12,000[13]	87,500[13]
13	Dubai Healthcare City	Dubai	2002	Medical services, treatment and education	n/a	n/a
14	International Media Production Zone[14]	Dubai	2003	Graphic, printing and publishing	n/a	n/a
15	Dubai Knowledge Village	Dubai	2003	Higher education, HR management	n/a	n/a
16	International Humanitarian City	Dubai	2003	Humanitarian aid / UN agencies, NGOs	59[15]	n/a
17	Dubai International Financial Centre	Dubai	2004	Finance, capital markets, asset management	1,445[16]	19,808[16]

Table 32: Free economic zones in the UAE, *continued*

	Name	Emirate	Established	Main focus (selective)	Number of businesses	Number of workers
18	Dubai Silicon Oasis	Dubai	2003	IT, Telecom, electronic, engineering, biotech, automobile, aerospace, alternative energy	1,300[17]	n/a
19	RAK Investment Authority	RAK	2005	n/a	7,500[18]	n/a
20	Dubai Biotechnology and Research Park[19]	Dubai	2005	Biotechnology, life sciences	230[20]	n/a
21	Dubai Studio City	Dubai	2005	Film production, music production	n/a	n/a
22	Fujairah Free Zone	Fujairah	2005	General trading, manufacturing, warehousing	1,877[21]	n/a
23	Enpark[19]	Dubai	2006	Clean, renewable energy, environmental technology	n/a	n/a
24	RAK Media Free Zone	RAK	2006	Media, film production	n/a	n/a
25	Fujairah Creative City	Fujairah	2007	Media, film production	n/a	n/a
26	Dubai Outsource City	Dubai	2007	Business process outsourcing, HR outsourcing, IT outsourcing, call centre	n/a	n/a
27	Dubai International Academic City	Dubai	2007	Schools, colleges, universities	22[22]	n/a
28	twofour54	Abu Dhabi	2008	Arabic media	350[23]	n/a
29	Dubai Logistics City	Dubai	2009	Transport, logistics	n/a	n/a
30	RAK Maritime City	RAK	2009	Manufacturing, warehousing, cargo handling, tank storage, shipbuilding, ship repairs	n/a	n/a
31	Virtuzone	Fujairah	2009	Professional corporate set-up services[24]	n/a	n/a
32	Abu Dhabi Airport Free Zone	Abu Dhabi	2010	Aviation, airport services, cargo freight, logistics, warehousing, distribution[25]	n/a	n/a
33	USA Regional Trade Center	Sharjah	2011	US small- and medium-sized enterprises	n/a	n/a

Table 32: Free economic zones in the UAE, *continued*

	Name	Emirate	Established	Main focus (selective)	Number of businesses	Number of workers
34	Dubai World Central Business Park Free Zone	Dubai	2011	Logistics, aviation, commercial, exhibition, residential and leisure-related businesses	1,000[26]	
34	Khalifa Industrial Zone	Abu Dhabi	2012	Petrochemicals, pharmaceuticals, metals, steel, aluminium, manufacturing, logistics[27]	n/a	100,000[27]
35	Dubai Textile City	Dubai	2006[28]	Textile	n/a	n/a
36	Masdar City	Abu Dhabi	2006[29]	Sale, marketing, servicing, renewable energy, sustainable technologies	1,500[29]	60,000[29]
37	Dubai Maritime City	Dubai	n/a	Maritime industry	n/a	n/a
38	Dubai Flower Center	Dubai	2004[30]	Flower industry/trade	n/a	n/a

Source: If not otherwise indicated (see Notes), http://www.uaefreezones.com (accessed 23.04.2016).

Notes: 1. Gulf News (21.09.2014); 2. According to the website of the JAFZ the zone employed 144,000 persons at the end of 2015, http://jafza.ae/jafza-registers-8-growth-companies-annual-basis/ (accessed 23.04.2016). In 2012, Bitar (2012) reported, based on information provided by the JAFZ authority, that 170,000 persons are employed in the zone; 3. http://www.afz.gov.ae/datalibrary (accessed 25.04.2016); 4. http://www.saif-zone.com/en/About/Pages/ChairmansMessage.aspx (accessed 25.04.2016); 5. Arab News 26.01.2016; 6. http://www.hfza.ae/en-us/directory.aspx (accessed 25.04.2016); 7. The Business Year (2012: 46), http://www.dubaifdi.gov.ae/PublicationsDocument/The_Business_Year_issue_on_Dubai_2012.pdf (accessed 20.06.2016); 8. Was Renamed Umm Al Quwain Free Trade Zone in 2014; 9. In 2010, Attwood (2010a); 10. http://rakftz.com (accessed 25.04.2016);11. Emirates 24/7 (2014); 12. http://dmc.ae/about/index.php (accessed 24.04.2016); 13. Arabian Business 14.05.2016, Gulf News 13.10.2015. The number 87.500 refers to people living and working in the zone. See http://www.dmcc.ae/dmcc-who-we-are (accessed 05.06.2016); 14. Was renamed Dubai Production Zone in 2015; 15. Of these are 9 UN agencies and 50 NGOs and commercial entities (Arabian Business 15.04.2016); 16. Arabian Business 17.02.2016; Arabian Business 10.05.2016; 17. Invest (2016b: 17); 18. http://www.oxfordbusinessgroup.com/overview/drive-diversify-emirate-aiming-expand-high-priority-sectors(accessed 25.04.2016); 19. In 2015,Enpark and Dubai Biotechnology and Research Park emerged to Dubai Science Park (Fahy 2015); 20. Fahy (2015); 21. http://www.fujairahfreetradezone.com/appdir/company-listing.php (accessed 25.04.2016); 22. The number refers to international higher education institutions with over 24.000 students, Ahmed (2010), http://www.diacedu.ae/about/about-diac/ (accessed 24.04.2016); 23. http://www.twofour54.com (accessed 23.04.2016); 24. http://www.vz.ae (accessed 05.06.2016); 25. http://www.businesscity.ae (accessed 23.04.2016); 26. Cronin (2014); 27. Halder (2010). Expected umber of workers; 28. http://www.texmas.com/about-texmas (accessed 05.06.2016); 29. 2006 is the date of initiation. Estimated date of final completion is 2030 (Dilworth 2007); 30. 2004 is the date of initiation; still under construction.

Beyond these awards, in 2010 the UAE also hosted the first World Free Zone Convention in the Middle East which »started with a call for increased cooperation between the world's free zones to ultimately benefit their clients and remain profitable« (Rahman, S., 2010). In 2014, then, Dubai was chosen to house the headquarters of the newly formed World Free Zones Organisation, an association for all free economic zones worldwide. On this occasion, the chairperson of the organisation, Mohammed Al Zarooni, said that the UAE is »a shining example of the dynamic role free zones play in economic and social development« (cited in Baslt 2014).[191]

Many of the executive heads of the FEZs thereby explicitly mention their desire to create a business-friendly environment to attract FDI. Saud Salim Al Mazrouei, Director of the Hamriyah Free Zone Authority (HFZA) and Sharjah International Airport Free Zone (SAIF) in the Emirate of Sharjah, for example, said that their aim is »to create a strong business environment by meeting the needs and demands of its investors« (Arab News 26.01.2016). Khaled bin Abdullah bin Sultan Al Qasimi, who is the CEO of the Hamriyah Free Zone, emphasised that »we remain committed to striving for Business Excellence through Investor Satisfaction in all we do.«[192] Finally, Sheikh Saif bin Hamed Al Sharqi, chair of the Fujairah Free Zone has noted that the zone's »objective is to offer most liberal terms, minimum regulations, and world class facilities to all our investors.«[193] These comments were complemented by Sheikh Saleh bin Mohammed Al Sharqi from the Department of Industry and Economy in Fujairah by saying that »It is our mission to attract global investment in the field of trading, services, logistics, and manufacturing, by offering liberal commercial policies.«[194] Other Emirates have equally emphasised their openness to FDI and that their emirate »provides an investor-focused climate« (Jaber Hareb Al Khaili, CEO of ZonesCorp in Abu Dhabi, cited in Oxford Business Group 2008: 150).

Two free economic zones in particular deserve more attention. One of the most known and important free economic zones in the UAE is the JAFZ which was established in 1985 »with the purpose of servicing foreign companies in terms of unrestricted imports of labor and exports of goods and services« (Elbadawi and Vázquez-Alvarez 2012: 5-6). It is not only the oldest free zone in the Middle East but also »the Middle East's largest free zone« (Rahman, S., 2010; see also Kawach, 2003).[195] The main sectors in the zone are machinery

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191 The success of the UAE with free zones even resulted in instances with other states aiming to initiate a similar process. Thus, in 2009 the President of Kazakhstan said that they want to emulate the success of the UAE regarding their success establishing and anaging free economic zones and regarding their success to attract FDI (Gulf News 18.03.2009).

192 http://www.hfza.ae/en-us/abouthfz/chairman%E2%80%99smessage.aspx (accessed 25.04.2016).

193 http://www.fujairahfreezone.com/uae.htm (accessed 25.04.2016).

194 http://www.fujairahfreezone.com/mission-vison.htm (accessed 25.04.2016).

195 In 2013 it was reported that the DMCC has become the largest zone in the UAE, replacing the JAFZ. The number of companies operating in the DMCC steadily increased from 7,300 in 2013 to 8,865 in 2014 and later to 11,000 in 2015. In mid-2016 the number of companies operating in the zone had reached 12,000 (Barnard 2013; Sambidge 2014; Gulf News 13.10.2015; Arabian Business 14.05.2016; Trenwith, 2014). The number of people working and living in the DMCC increased from about 80,000 people in 2014 to 85,000 in 2015. According to the most recent data provided by the zone authority currently there are 87,500 people living and working in the zone. See http://www.dmcc.ae/dmcc-who-we-are (accessed 06.06.2016). This immense increase is thereby closely tied to the increase of gold trade in or through Dubai. Thus, Dubai's gold trade has surged from 6 billion USD in 2003 to 29 billion USD in 2008 and to 56 billion USD in 2011, mainly as result of the economic crisis and the search of investors for »safe

and appliances, including computers and consumer electronics, light engineering, manufacturing and distribution services (WTO 2006: 7). The JAFZ has also the Jebel Ali Port, the world's seventh largest container port on one side, and the Jebel Ali International Airport, one of the world's largest cargo airports on the other side.[196]

In 1985 the number of companies operating in the zone was only 19.[197] In 2004 the number of companies grew to 4,000 companies. In 2012 it was reported that there were 6,700 companies operating out of the JAFZ which employ 170,000 people. In 2014, the number of companies operating in the zone had reached 7,500 companies (Rahman 2005a; Bitar 2012; Gulf News 21.09.2014). The companies investing in the zone are from all over the world and include big corporations, including many of the Fortune 500 companies which the authority of the zone calls »crème de la crème«.[198] 42% of the companies are from the Middle East, 25% from Europe, 15% from the Indian subcontinent,[199] 7% from the Americas, 6% from the Far East, 5% from Africa and 2% from the rest of the world.[200]

According to the management of the JAFZ, the contribution of the overall FEZ to the GDP of Dubai is 25%, of which the JAFZ accounts for 20%. The JAFZ also accounts for 50% of the total exports from FEZs in Dubai (Bitar 2012). According to the WTO (2006: 7) the JAFZ also accounts for the big share of the almost 60% of the non-oil exports in FEZs in the UAE. The JAFZ authority notes that the zone is also responsible for 8.7% of Dubai's total employment.[201] The JAFZ is also one of the main zones attracting FDI. In 2014 the zone accounted for almost 40% of the FDI in the Emirate of Dubai and for 20% of the FDI to the UAE (Gulf News 21.09.2014).[202] The attraction of FDI is one of the main objectives of the zone and Ebrahim Mohammad Al Janahi, Deputy CEO of Jebel Ali Free Zone Authority, noted that they provide »an excellent investment atmosphere and a customer-centric business policy« (cited in Bitar 2012).

Another FEZ which has gained much interest has been the DIFC, which was established in 2004 as a major financial hub aimed at competing with other financial centres such as New York, London and Hong Kong, and which has been described by some as »a world-class financial hub« (Carballo 2007: 92).[203] The number of operating firms steadily increased from 19 in 2004,[204] to 750 in 2008, to about 1,000 in 2013 and, more recently, to 1,500 firms registered in May 2016. The workforce of the DIFC increased from about 12,000 in

havens« (Barnard 2013; Morris 2009). In its report to the WTO in 2012 the UAE government reports that in 2010 gold took the lead among all imported as well as among all exported goods (WTO 2012a: 7).

196 http://www.uaefreezones.com/fz_jebel_ali.html (accessed 23.04.2016).

197 http://www.uaefreezones.com/fz_jebel_ali.html (accessed 23.04.2016).

198 http://www.uaefreezones.com/fz_jebel_ali.html (accessed 23.04.2016).

199 Note that the number of Indian companies in the JAFZ has witnessed a 10 percent increase in 2014. See http://jafza.ae/jafza-reports-10-growth-number-indian-companies/ (accessed 23.04.2016).

200 http://www.uaefreezones.com/fz_jebel_ali.html (accessed 23.04.2016).

201 http://jafza.ae/about-us/chairmans-message/ (accessed 23.04.2016).

202 See also http://jafza.ae/about-us/our-history/ (accessed 23.04.2016). According to a report by Ernst & Young the JAFZ accounted for almost 32% of all FDI to the UEA. See http://jafza.ae/about-us/chairmans-message/ (accessed 23.04.2016).

203 The IMF (2005: 18) notes that the DIFC »has made considerable progress in developing a regulatory framework that follows best international practice« and that the authorities of the UAE and DIFC have agreed with the IMF staff that »it would be useful to have the operations and regulatory arrangements of the DIFC assessed by the Fund.«

204 The Business Year Dubai 2012, p. 61, http://www.dubaifdi.gov.ae/PublicationsDocument/The_Business_Year_issue_on_Dubai_2012.pdf (accessed 09.06.2016).

2011 to almost 20,000 in 2016 (Arabian Business 10.05.2016; McGinley 2011; Sambidge 2015; Strong and Himber 2009: 38). Most of the companies operating in the zone are from the UK and the US. It is, however, reported that Indian financial firms and banks build the third largest group of companies and that the number of Chinese companies is also on the rise (Arabian Business 05.09.2015; Townsend 2015a).

One of the most important characteristics of the DIFC is that it has its own legal framework. For this purpose, the Constitution was changed in 2004, with the new Federal Law No. 8 of 2004 allowing the establishment of financial free zones.[205] Art. 3 of the Law exempts financial free zones from all civil and commercial laws (exception: criminal laws, money laundry and constitutional provisions), and Art. 7(3) allows financial free zones to create their own legal regulatory framework (see also Carballo 2007: 95). Based on these changes the ruler of Dubai promulgated the Law of the DIFC No. 9 of 2004, to which all businesses operating in the zone are subject to (Carballo 2007: 95-96).

The outstanding feature of the zone is, however, that within the DIFC, British common law is applied by British judges for all commercial cases so that its legal framework is independent of the rest of the federal legal system (Strong and Himber 2009; Carballo 2007). Abdulla Mohammed Al Awar, CEO of the DIFC Authority notes that:

> »An extensive amount of time has been spent developing the legal infrastructure, including laws and regulations through discussions with the federal cabinet of the UAE in terms of what type of independence the center could have. The UAE government entrusted the center and provided it with independence by means of applying a common law jurisdiction. This is very appealing for the international financial community because it feels at home with a familiar system, while being closer to its target audience.«[206]

Because in this case a foreign legal system is implemented within the sovereign borders of the UAE, some speak of »one country two systems« (Carballo 2007: 92), or of a »country within a country« (Strong and Himber 2009: 38). The CEO of the DIFC speaks of »a concept of a state within a state«.[207] The rationale behind such a configuration was that »In creating the DIFC based on common law, the leaders made a strategic business decision that a common-law financial free zone, adjudicated by experienced common-law judges, would attract foreign capital more quickly than the existing legal foundation that operates elsewhere in the UAE« (Strong and Himber 2009: 40). Therefore, »This system is designed to attract foreign investors, who might otherwise worry about local protectionism, slow local courts, proceedings conducted in Arabic, or application of the Shari'a if no provision is contained in the UAE Commercial or Civil Codes« (Carballo 2007: 101).

The importance of FEZs regarding the entry, operation and exit of FDI is that they provide the most favourable conditions (Low 2012: 42; Mina 2014: 1726). The regulations of almost all zones are characterised by incentives allowing procedures for easy entry, operation and exit.[208] First, there is, of course, an examination process of FDI prior to its entry into the

205 The law can be accessed at https://www.difc.ae/files/5314/5449/7480/Federal_Law_No_8_of_2004_English.pdf (accessed 09.06.2016).

206 Cited in The Business Year Dubai 2012, p. 60, http://www.dubaifdi.gov.ae/PublicationsDocument/The_Business_Year_issue_on_Dubai_2012.pdf (accessed 20.06.2016).

207 Cited in The Business Year Dubai 2012, p. 60, http://www.dubaifdi.gov.ae/PublicationsDocument/The_Business_Year_issue_on_Dubai_2012.pdf (accessed 20.06.2016).

208 If not indicated otherwise the following information are gathered from the website www.uaefreezones.com as well as from the websites of the free zones.

UAE and a process of licensing (OECD 2011: 35). But all of the FEZs have established one-stop shops, where all the bureaucratic steps for entry, setup and operation are bundled and where investors are guided at completing the bureaucratic procedures. Some FEZs are even trying to further improve this situation. For instance, the Ra's al-Khaimah Investment Authority (RAKIA) where more than 7,000 companies, mainly from India (25-30%),[209] are operating introduced changes in 2014 after the new CEO, Rino Sabationo, came to office and had the task to increase FDI to the zone. During this period the time to set-up a business was reduced from two months to just seven days. The zone made procedures for setting up easier and shorter »by convincing government agencies in the fields of civil defence and immigration to open a desk in the RAKIA headquarters« (Arabian Business 03.10.2014).

Second, FEZs also provide many incentives regarding the operations of investments. Thus, they provide, beyond 100% ownership rights and beyond the exemption of import and export taxes, also many facilities such as offices, warehouses, manufacturing sites, land for development, industrial land as well as an infrastructure serving the needs of investors. Some FEZs like the Ra's al-Khaimah Free Trade Zone (RAKFTZ), where 8,600 companies are located (Arnold 2014),[210] also provide a range of services like the translations of documents, procurement support, creation and printing of corporate materials.[211]

Another important point regarding the operation of companies within FEZs is that many zones provide a business-friendly environment through regulations regarding governing labour and employment (Robson 2007). Thus, many of them have their own regulations regarding labour and support investors at the recruitment of needed workers. The RAKFTZ, for instance, provides special services to support companies by the recruitment of employees.[212] Similarly, immigration procedures for migrant workers are also handled by the authorities of the JAFZ (Elbadawi and Vázquez-Alvarez 2012: 5-6). Oxford Business Group reports that Timothy Lefebvre, the co-chairman of the RAKIA Tenants Committee, says that »It is easy to source labour from South Asia here. Most of our employees are from India, and it is very straightforward to obtain work visas for them in RAK.«[213] Ashok Leyland, an Indian investor which manufactures buses that are used to transport workers and schoolchildren and which has a strong presence in the UAE, also emphasises this positive incentive.[214] The company was allowed to build accommodation places for its own workers when the factory opened in 2007 at the RAKIA. On this occasion, K. M. Mandanna, Ashok Leyland's head of international assembly operations, said: »We have a good set up for employees that helps us to keep the costs low. There are also flexible labour

209 25 percent of the remaining companies are from Europe, half of them from the UK, and another 25 percent are local Gulf companies (Spong 2014)

210 http://rakftz.com (accessed 25.04.2016).

211 http://rakftz.com/About/RAK-Free-Trade-Zone (accessed 03.06.2016). The chief executive of the RAKFTZ, Peter Fort, was a former investment banker with Morgan Stanley in the Middle East and was appointed by Shaikh Saud bin Saqr, the ruler of RAK, to lead the zone and to support the development of the emirate. Peter Fort is also the economic advisor of the ruler of RAK (Arnold 2014; Parasie 2014).

212 http://rakftz.com/About/RAK-Free-Trade-Zone (accessed 03.06.2016).

213 http://www.oxfordbusinessgroup.com/overview/right-path-emirate-has-much-offer-manufacturers (accessed 03.06.2016). The SAIF zone too explicitly points to the advantage of an »economic wage structure« available at investing in the zones. See http://www.uaefreezones.com/fz_sharjah_air_inter.html (accessed 25.04.2016).

214 Ashok Leyland is the fourth largest bus manufacturer in the world and the second largest lorry maker in India. In the UAE the company controls 60% of the bus market (Arab News 06.03.2016; Halime 2010).

rules for the recruitment and retention of staff, which is very important because we are then able to keep the right people and the right skillset«.[215] This incentive was also emphasised by the WTO (2006: 37) in the mid-2000s by noting that FEZs in the UAE provide advantages to foreign investors, especially regarding »the absence of restrictions on hiring foreign employees.«

The third and last important point regards the exit of FDI out of the UAE. Thus, all FEZs ensure that there are neither restrictions on the repatriation of capital nor on the repatriation of profits. Therefore, not only profits but the invested capital too can be repatriated from the UAE. The OECD (2011: 44) notes that foreign investors are entitled to remit the foreign capital invested, including returns, profits and proceeds arising from the liquidation of investment projects. Beyond this, the UAE, like all other Gulf States, has accepted Art. VIII of the Articles of Agreement of the IMF, which allows the free transferability of capital (OECD 2011: 44). Additionally, although there are no official laws/regulations on expropriation, the US Department of State notes that:

> »foreign investors have not been involved in any expropriations in the UAE at least the last five years« and adds that »In practice, authorities in the UAE would be unlikely to expropriate unless there were a compelling development or public interest need to do so, and in such cases compensation would likely be generous in order to maintain foreign investor confidence.« [216]

Anjarwalla and Gaitta (2012) too note that »there is no history of unlawful state expropriation of foreign investors' assets.« Finally, as will be seen in more detail in the following section, the increased amounts of BITs, which the UAE has signed, usually also contain clauses prohibiting expropriations (Cinotti 2012: 13-14).[217]

4.1.2. Providing legal protection for FDI: Bilateral investment treaties

Beyond the policy of establishing liberal regulations and of establishing FEZ providing business-friendly conditions for the entry, operation and exit of FDI, the UAE has also increasingly signed bilateral investment treaties (BITs) in order to attract and protect FDI. Although their effect on the actual flows of FDI is a contested topic, many scholars regard BITs as an important factor for the promotion of FDI (e.g. Banga 2006 Busse, Königer and Nunnenkamp 2010; Kerner 2009).[218] The worldwide number of BITs increased from just 165 in 1979 to 2,495 in 2005 (Busse Königer and Nunnenkamp 2010: 153). According to the UNCTAD database there are now a total of 2,954 BITs.[219]

The importance of BITs for FDI is that they usually have similar features and contain clauses on the protection of FDI including clauses on national treatment, compensation,

215 http://www.oxfordbusinessgroup.com/overview/right-path-emirate-has-much-offer-manufacturers (accessed 25.04.2016).

216 http://www.state.gov/e/eb/rls/othr/ics/2015/241783.htm (accessed 25.04.2016).

217 It is also from the backdrop of the above illustrated incentives that Oussama Al Omari, CEO and Director General of RAKFTZ critically notes that »Many decision-makers in supra-national organisations such as the World Trade Organisation, Unido, Unctad, OECD and the European Commission make the superficial argument that when tariffs disappear, economic incentives for free zones will die and zones will dissolve. […] They simply do not understand yet that zones have transformed themselves into leading service centres for attracting foreign investment in the world and are greatly needed« (cited in Rahman, S. 2010).

218 On the debate whether BITs encourage more FDI see Busse, Königer and Nunnenkamp (2010) and Kerner (2009) who argue that BITs do attract FDI.

219 http://investmentpolicyhub.unctad.org/IIA (accessed (09.06.2016).

expropriation and dispute settlement mechanisms. In this sense they are important agreements determining important aspects of entry, operation and exit of FDI. It is also in this context that the UAE, in addition to FEZs providing a business-friendly environment for foreign investors and procedures for easy entry, operation and exit of FDI, has also signed many BITs in order to enhance and protect FDI. According to information provided by UNCTAD the UAE has signed a total 53 BITs until now of which 34 are in force.[220] In addition, the UAE has also signed 13 International Investment Agreements (IIAs).[221] The majority of the BITs were signed in the 1990s and early 2000s.

Regarding BITs that the UAE has signed, it has to be noted that they, first, explicitly aim to encourage investments. For instance, Art. 3(1) of the UAE-India BIT which came into force in 2014 states that »Each Contracting Party shall encourage and create favorable conditions for Investors of the other Contracting Party to make Investments in its territory, and admit such Investments in accordance with its laws and policy.«[222] A clause on the promotion of investments is also included in the UAE-UK BIT, which came into force in 1993 (Art. 2)[223] and in the UAE-Turkey BIT which came into force in 2011 (Art. 2).[224] Equally, the UAE-Germany BIT, which came into force in 1999, also points that both sides intend »to create favourable conditions for investments by investors of one Contracting State in the territory of the other Contracting States.«[225]

The second important point regarding BITs is that they are aimed at protecting investments and the related operations in the host countries. In the case of the UAE-Indian BIT, for instance, Art. 4(1) states that:

> »Investments by Investors of either Contracting Party shall enjoy full protection and security in the territory of the other Contracting Party in a manner consistent with the provisions of domestic laws of the host Contracting Party, this Agreement and applicable rules of international law. Neither Contracting Party shall in any way impair by arbitrary or discriminatory Measures, the management, maintenance, use, enjoyment, or disposal of Investments.«

Again, the same or similar clauses are also contained in the UAE-UK BIT (Art. 3) and in the UAE-Germany BIT (Art. 3)

Third, BITs usually also contain clauses in favour of the free exit of FDI out of the host country. Thus, the related clauses explicitly codify the free transfer of payments related to investments. This does not only include the initial capital invested, but also returns, proceeds from sale or liquidation, as well as payments of compensation and payments arising out of dispute settlements.[226] Additionally, BITs codify the compensation of foreign investors for losses in cases of war, armed conflict, revolution, revolt and insur-

220 The BITs and IIAs can be accessed at http://investmentpolicyhub.unctad.org/IIA/CountryBits/220 (accessed 09.06.2016).

221 http://investmentpolicyhub.unctad.org/IIA/CountryOtherIias/220#iiaInnerMenu (accessed 09.06.2016).

222 The UAE-India BIT can be accessed at http://investmentpolicyhub.unctad.org/Download/TreatyFile/3500 (accessed 09.06.2016).

223 The UAE-UK BIT can be accessed at http://investmentpolicyhub.unctad.org/Download/TreatyFile/2367 (accessed 09.06.2016).

224 The UAE-Turkey BIT can be accessed at http://investmentpolicyhub.unctad.org/Download/TreatyFile/3332 (accessed 09.06.2016).

225 Cited in the preamble of the UAE-Germany BIT which can be accessed at http://investmentpolicyhub.unctad.org/Download/TreatyFile/1443 (accessed 09.06.2016).

226 See, for example, Art. 8 and Art. 4(5) of the UAE-Indian BIT; Art. 7 of the UAE-UK BIT; Art. 6 of the UAE-Germany BIT; Art. 5 of the UAE-Turkey BIT.

rection,[227] and contain clauses that investments shall not be nationalised, expropriated or dispossessed; if they are, then the BITs foresee »expeditious, adequate and effective compensation« (Art. 7 of the UAE-Indian BIT).[228]

The fourth and final important point regarding BITs is that many of them also contain favourable clauses on the mobility of the personnel related to the conducted investments. The UAE-Turkey BIT, for instance, states that »nationals of either Party shall be permitted to enter and to remain in the territory of the other Party for the purpose of establishing, developing, administering or advising on the operation of an investment« (Art. 2(3a)). The UAE-Indian BIT contains a clause stating that »Neither Contracting Party shall place any constraints on the movement of goods or persons directly connected with an Investment« (Art. 3(4)). Another, more explicit article states that:

> »Each Contracting Party shall, subject to its laws and regulations relating to the entry, stay and work of natural person, examine in good faith and give sympathetic consideration to request by Investors of the other Contracting Party and key personnel who are employed by such Investors including family members, to enter, leave and remain temporarily in its territory for the purpose carrying out activities connected with the Investment« (Art. 12 of the UAE-Indian BIT)

In summary, then, the UAE has introduced favourable conditions for FDI through establishing FEZs, which specifically provide favourable regulations regarding the entry, operation and exit of FDI, and through concluding BITs which, beyond codifying favourable conditions regarding the entry, operation and exit of FDI, also principally aim to encourage/promote and protect FDI.[229]

The described positive stand of the UAE government towards FDI, the UAE's policies regarding the establishment of business-friendly FEZs, and the conclusion of BITs, combined with the geographical position of the UAE between the East and West, the easy access to seaports, airports and the possibility to access cheap energy and cheap labour, have been important factors at the positive appraisal of the UAE by foreign investors. Thus, it is often argued that investors see the UAE as a business-friendly country and that the UAE »is considered the most open economy« in the region (Mina 2008: 1443). According to a report of the Emirates Industrial Bank in 2003 foreign investors viewed the UAE »as a production hub for the region at large, in particular because of its excellent infrastructure facilities and business friendly environment« (cited in Gulf News 09.01.2003). W. Jonathan Write, managing director of Capital Partners FZ, described the UAE government as »a stable business-minded government« (cited in Albawaba 14.12.2005). A Princeton-educated director who leads an investment bank said that »It's not just the buildings and the islands and the hotels. It's the soft stuff: the laws, the regulations, the liberal social environment« (cited in Molavi 2007).

The emirates of Dubai and Abu Dhabi in particular are seen as »business-friendly«. Thus, the founder of a Dubai-based logistics company has noted that »Dubai has the right

227 See, for example, see Art. 6 of the UAE-Indian BIT; Art. 4 of the UAE-UK BIT; Art. 3 and 5 of the UAE-Turkey BIT.

228 See also Art. 6 of the UAE-UK BIT; Art. 4 of the UAE-Germany BIT; Art. 3 of the UAE-Turkey BIT.

229 Note that the UAE is also a member of the Multilateral Investment Guarantee Agency (MIGA) which is belonging to the World Bank Group and aims to promote FDI and protect foreign investors by offering political risk insurance (guarantees) to investors. See https://www.miga.org (accessed 09.06.2016).

laws, and officials treat businesses like clients and implement what they say they will« (cited in The Economist 10.01.2015). Vora (2010: 47), who has conducted interviews with foreign business owners in Dubai, reports that they too »emphasized the ›freedoms‹ that Dubai offers for expatriates« and that they speak of Dubai as a »free« country, a »land of opportunity« and praise its openness and fairness to all businesses.[230] It is from this backdrop that Vora (2010: 48) terms them as »unofficial citizens«.[231] And some liberal thinkers often speak out their hope that »Dubai's sensational success and unusual organisation will become a paradigm for visionary Muslim states seeking economic growth through commerce« (Strong and Himber 2009: 37).

4.2. The stalemate: FDI policies as a field of struggle

Although the above described policies of the UAE towards entry, operation and exit illustrated that these policies have steadily moved into a neoliberal direction and were aimed at creating a business-friendly environment for FDI, it remains to be noted that there are severe restrictions towards FDI. First of all, although the UAE could manage to establish itself as one of the major countries in the Gulf region attracting FDI, the country has no specific federal FDI law regulating the entry, operation and exit of FDI. FDI is regulated through licensing at the Emirati level (OECD 2011: 24; WTO 2006: 17). Second, as has already been noted in the previous section, FEZs, amongst others, aim to offer foreign investors 100% foreign ownership. The background of this specific incentive is that outside of the FEZs the foreign ownership is limited to 49%. The remaining 51% share has to be held by a UAE national or a company wholly owned by UAE nationals.[232]

This situation has resulted in conflicting interests of different social forces. For instance, regarding the already mentioned bid of a UAE state-owned company (Dubai Ports World) for the operation of some US ports in 2006, comments like the following became loud: »Their [UAE's] government can control businesses here [in the US]. Our private citizens cannot control businesses there. When will our government demand that our private citizens get the same access to their market that their government-owned enterprises get here?« (Human Event 2006: 5). In the UAE, on the other hand, there emerged diametrically opposed arguments defending the limitations of foreign ownership rights. A comment that appeared in the regional financial comment website *Arabian Money* (30.05.2013), for instance, reads: »Would it really be better to have giant US hedge funds deciding on the future of UAE companies and for Chinese multinationals to buy into the country's asset

230 Similar appraisals by foreign investors continuously appear in the magazine *Invest* as well as in the publication *The Business Year Dubai 2012* which are published by the Dubai Investment Development Agency at the Department of Economic Development in Dubai. See http://invest.dubaifdi.gov.ae and http://www.dubaifdi.gov.ae/PublicationsDocument/The_Business_Year_issue_on_Dubai_2012.pdf (accessed 20.06.2016).

231 Molavi (2007) who points to the liberal regulations in Dubai favouring property and ownership notes that these liberal policies represent a historical continuation and reflect the »old Shaikh Rashid's motto« that »What's good for the merchants is good for Dubai.« She is referring to Sheikh Rashid bin Saeed Al Maktoum who ruled in Dubai from 1958 to 1990 and introduced many infrastructure projects and initiated the establishment of the JAFZ.

232 Some FEZs have tried to offer some solutions to foreign investors in this regard. The CEO of RAKIA, for instance, says that »if you come to me, and I feel comfortable and secure with your company, I will sponsor you. I won't take any of your profits and revenue, however. And for that you will pay a very, very nominal fee towards admin costs, expenses and so forth« (cited in Arabian Business 03.10.2014).

base?« The comment of a Dubai-based national was even more offensive: »Why can't these foreign traders and businessman operate their businesses from the […] Free Zones spreading […] in the emirates of the country?« (cited in Eltayeb 2004).

At the centre of these debates on limited foreign ownership rights has been the Commercial Companies Law (CCL) No. 8 of 1984 (and its amendments) which regulates the establishment of businesses in the UAE and explicitly contains the specific restriction on foreign ownership rights. As will be illustrated below, this regulation which is principally a sponsorship system for operating outside of FEZs is neither »in its death throes«, as Tim Howe (2000), a managing director and financial writer, declared in the early 2000s, nor is it true that this modus operandi »may have run its course«, as another comment from the mid-2000s reads (Middle East Monitor 2004: 5).

4.2.1. Social forces pressuring for the removal of restrictions

The CCL was enacted in 1984 and lays down which kind of companies can be established in the UAE and regulates commercial activities.[233] Some describe it as the »the first significant piece of federal company legislation to be enacted since the foundation of the UAE in 1971« (O'Connor 1998: 369). One of the cornerstones of this law is Art. 22, which stipulates that 51% of the share capital of a company established in the UAE must be owned by UAE nationals. Foreign ownership at the share capital of companies is thus limited to 49%. O'Connor (1998: 375) notes that with this provision »The UAE, in common with many Gulf and Middle Eastern countries, has enacted legislation which reserves the right to engage in certain commercial activities to UAE nationals or companies wholly owned by UAE nationals« (see also McNeil 1995: 64). This fact is also emphasised by Ashby (2011) noting that with this law »Emiratis should be empowered to take control over a domestic economy that was for years dominated by foreign interests.«

As this law protects national businesses it has been widely criticised by foreign investors. Thus, a business consulting firm in Dubai noted that »Investors are looking for the opportunities and the UAE's decision to increase the foreign shareholding will give the confidence to foreign investors« (cited in Parmar 2011b). A counsel at a global law firm has declared that »The big thing that foreign investors have been crying out for is a loosening of foreign ownership« (cited in Parmar 2011a). Chris Lister, corporate counsel at Latham & Watkins, also a law firm, says »We always deal with foreign entities that are looking at doing business here and one of the downsides is the 49 per cent foreign ownership limit« (cited in Arnold 2012). A survey conducted with European businesses pointed to the »restrictive foreign ownership as a barrier to investing in the Gulf« (Arnold 2013a). Maximilian Bossdorf, the manager of business development in Abu Dhabi for the German Emirati Joint Council for Industry and Commerce which conducted the survey says: »One third of respondents commented that it was largely local ownership constraints and staff costs that affected their investment decision« (cited in Arnold 2013a). At the EU GCC Invest Conference where the results of the survey were discussed, Menno Douwes Dekker, the managing director of Hoyer Middle East & India, a German logistics group, said:

233 For an overview of the CCL of 1984 and its amendment in 1988 see Feulner (1989).

»It's relatively easy to start a business in a free zone but if your business becomes more mature you will have more assets, more people, revenue will grow and free-zone entities are a limited option. We as a business have to be operating outside a free-zone entity and have offices outside the free zone as when you're a free-zone entity you're limited to free-zone activities« (cited in Arnold 2013a).

Moreover, beyond foreign investors, the limited foreign ownership rights were also criticized by many international economic organisations. The IMF (2005: 15), for instance, urged the UAE to promote investments »by lifting remaining impediments to foreign investments outside the free zone areas«. Equally, the World Bank (2010: 24) has also urged to remove the remaining restrictions on FDI. The OECD (2011: 85) also criticised the remaining restrictions on foreign ownership rights and noted that the »Private sector perceives the restrictions to foreign ownership and approval requirements as key obstacles«. The WTO (2006: 9) also points to this negative aspect, and notes that »the UAE's long-term success in attracting foreign investment will require improved ownership rights for foreigners and a more efficient legal and institutional framework within which claims relating to foreign investment can be effectively addressed.« At the International Investment Summit held in Dubai in 2003 the United Nations Industrial Development Organization (together with the OECD) also urged the Gulf states to remove the hindrances for foreign investments and to open their non-oil sectors to FDI (John 2003).[234]

Economic analysts have also pointed that the restrictions pose a serious problem. In 2003, for instance, an economist praised the achievements of the UAE, especially its success with FEZs, and represented the UAE as »an attractive investment destination as it has one of the strongest and most liberal economies in the Arab world« (cited Kawach 2003). Importantly, the economist added that the UAE »has to make its laws outside those zones better« (cited Kawach 2003). A Dubai-based economist at EFG-Hermes too noted that changes in foreign ownership rights would be »positive for the investment environment« (Robson 2007). Ayesha Sabavala, an analyst at the Economist Intelligence Unit said that »One of the things that the government needs to do [...] is to amend the companies law to increase that limit beyond 49 percent« (cited in Attwood 2011).[235]

The restrictions have been also criticised by Western states. In 1999, at a symposium organised on the thirty years' rule of Sheikh Zayed, Robert L. Mallet, who was then the Deputy Secretary of Commerce at the US Department of Commerce, pointed to the need for more privatisations and »new standards for good business practices« in the UAE, and added that »We hear from American firms that they are eager to participate in additional privatization projects. They are eager to invest in the pharmaceutical domain, for instance, if their rights are fully respected and protected. American companies would like greater flexibility regarding commercial agents, majority ownership and more vigorous contract-dispute resolution methodologies« (cited in Middle East Policy 1999: 13). These demands

234 In 2004, Fatih Birol, chief of the economic analysis division of the International Energy Agency even urged the Gulf States to open up their oil sectors to FDI, as oil is very important for the global economy and as the production capacity of oil has to be improved (Carvalho 2004a). In 2008, the US Treasury Secretary Henry Paulson too urged the Gulf States to open up the oil sector for foreign direct investments as this »would support faster and more efficient growth in the region« (Khaleej Times 03.06.2008).

235 See also the Oxford Business Group (2007: 34), which sees the restrictions on foreign ownership as a limitation.

were also repeated later. At a meeting organised by the US-UAE Business Council in 2008, for instance, the US Treasury Secretary Henry Paulson urged the UAE government to lift the restriction on FDI and open more sectors to FDI (Khaleej Times 03.06.2008). The restrictions have been also seen as a »challenge« by the UK government[236] and the EU (Arnold 2013a). Thus, one of the main points which is important in investment negotiations between the EU and the Gulf States is the strong restriction on foreign ownership. Antkiewicz and Momani (2009: 226) point to the positive effects of FEZs and other incentives, but note that »Despite some progress, there is a distance to go before European businesses enjoy unfettered investment access in the Gulf.«

But beyond the above illustrated demands for changes, some elements of the nationally operating capital in the UAE also criticised the restrictions. Already back in 2004 some UAE »stakeholders« were arguing that »we have no choice but to remove these obstacles hindering free market operations« (cited in Eltayeb 2004). A report prepared by the National Bank of Dubai stated in 2004 that the CCL »does not suit large corporations that are likely to make substantial investments and want to have complete management control over their operations« (Gulf News 04.01.2004). In 2006, a report by the DCCI noted that the legal framework of the UAE discourages larger flows of FDI. The report urged that »Efforts have to be exerted to attract more FDI flows, especially outside the Free Zones«, and argued that the reform of this framework is »the single most important front to work on« (cited in Dore 2006). To address the problem, the DCCI report proposed measures such as »the opening up of economic sectors, especially services, that are now off limits to foreign investment, and amending ownership and commercial laws that restrict competition« (cited in Dore 2006). Hamad Buamim, head of the DCCI, noted that more foreign ownership rights would also benefit the local economy and added that »If these companies have a certain amount of capital – we're talking millions if not billions – and if they want to bring such a major investment to our country, we would like to see them here« (cited in Attwood 2011).[237]

Some executive heads of FEZs also support the loosening of restrictions on foreign ownership. Sharif Habib Al Awadi, head of the Fujairah Free Zone, for instance, said regarding a new law which would allow more foreign ownership rights: »I think this law is just to indicate that the UAE is part of the globalisation [process] and part of the freedom of trade. There's a bigger global picture that the government of the UAE is seeing« (cited in Davids 2011). Hussein Jassim Al Nuwais, chairman of the Zonescorp executive committee, also emphasised the importance of reforms to foreign ownership rights and gave the following example:

> »We have a lot of raw materials, especially in the petrochemical sector, which we export to China and Japan. Then we buy them back after manufacturing at a huge cost. If we set up industries for these materials in Abu Dhabi, we would make huge profits. We offered big international firms

236 https://www.gov.uk/government/publications/exporting-to-the-united-arab-emirates/exporting-to-the-united-arab-emirates (accessed 22.05.2016).

237 In fact, in 2006 Buamim also noted at the MENA-OECD workshop on the National Investment Reform Agenda (NIRA) »that the current structure of investment regulation in the UAE has lead to unequal access to capital, labor and technology, inefficient allocation of resources, and inconsistent local and federal economic policies which confuse investors. As a result, he has called for the Government to proceed with the process of drafting a unified investment law« (MENA-OECD, n.d.: 12).

> huge industrial projects and they liked them. We discussed the required procedures, then the investors asked for full ownership, and the projects stopped, despite being highly important« (cited in Glass 2008).

But also many liberal-oriented UAE nationals speak for the removal of the restrictions on foreign ownership. For instance, Khalid Al Ameri (2013), a columnist who worked on global investments in the UAE and studied MBA at Stanford University, notes that when he talked with his American colleagues about the process and conditions of establishing businesses in the UAE during his time in the US – especially with regard to the limited foreign ownership rights – it left a »sour taste in their mouths. It's like entering an amusement park and being allowed on only half, or to be precise 49 per cent, of the rides.« He adds that allowing more foreign ownership rights would, apart from its contribution to economic growth, also create more competition, which would be of benefit to consumers:

> »In several sectors in the UAE you are put in a situation where you have to accept a certain level of product or service because there is just no alternative, and so companies care very little about customer satisfaction. They know you must come back. But bring in some big corporations from around the world, and watch some local players start dancing to a different beat, perhaps ours. Wouldn't that be nice?« (Al Ameri 2013).

4.2.2. Towards removing restrictions?

As a result of the above illustrated standpoints of different social forces, especially from the 2000s onward, the UAE government had to face increased demands for what some have called the »democratization of capital« (Abdelnour 2003). Faced with these increased demands the UAE government announced changes in the early 2000s. Indeed, the whole period from the 2000s onward is characterised by statements and attempts of the government to introduce changes to allow for more foreign ownership rights. In February 2001, for instance, Sheikh Fahim bin Sultan Al Qasimi, who was the Minister of Economy and Commerce at that time, announced that they were revising the CCL so that foreign companies could be allowed to have more shares. He said that the law was currently under review and would be forwarded to the Cabinet after the review (Gulf News 16.02.2001).

Other UAE officials also noted that there is a need to undertake reform in order to attract more FDI. In 2002, for instance, Mohammed Alabbar, director general of the Department of Economic Development, said »We need to quickly put a plan to attract foreign direct investment […] to our region by adopting reform policies and taking the appropriate measures to create the most conducive atmosphere by deregulating our industrial sectors encouraging openness, providing incentives, education and training of our labour force we can make an attractive offering« (Gulf News 23.05.2002). At a conference in 2004 he again said that »The investment promotion laws in the country must be made more clear, the policies must be pro-investors and a sound regulatory framework to protect investor rights are needed« (cited in Carvalho 2004b). In 2003 it was reported that the government would draft a foreign investment law. The chairman of the Abu Dhabi Chamber of Commerce and Industry, Said bin Jabr Al Suwaidi, said that within this process more foreign ownership could be allowed in certain sectors and that »The condition of 51 per cent shareholding by nationals in local projects may also be done away with as it is seen as a deterrent to foreign direct investment« (cited in Kawach 2003; see also Gulf News 03.03.2003). Although a first draft of a CCL was proposed in 2004 there was no development for a long period (McGinley 2013).

But the government attempts and declarations for more foreign ownership rights did not stop. In 2005, the chairman of the Abu Dhabi Economic and Planning Department, Shaikh Hamed bin Zayed Al Nahyan, noted that they were working closely with the Ministry of Economy on a law which may allow for 100% foreign ownership rights and thus lead to more FDI (Khaleej Times 10.07.2005). The same year, the then new Minister of Economy, Shaikha Lubna Al Qasimi, added that the »present 49:51 equation between foreign and local ownership in the existing company law will change in favour of foreign ownership« (cited in WAM 07.07.2005). In 2006, the Minister again stated the need to undertake reforms and noted that there would be a new foreign investment law drafted by the Ministry of Economy in order »to regulate incoming foreign investments into the UAE, introduce best practice elements, and provide investors with a ›one-stop‹ legal reference point for foreign investors« (cited in John 2006).[238] Later on, in 2007, there were again reports that the UAE government was going to remove the restrictions on foreign ownership rights (Arab News 23.02.2007). This time too the Minister pointed to the need of reforms regarding foreign ownership rights, but noted that »We have received comments from the private sector, chambers of commerce and industry, last week … The comments from private sector are very important« and added that the new CCL »may allow foreigners to own 100 per cent of companies in the services industry« (cited in Halder 2007; see also Roberts 2007).

These announcements were repeated again in 2008. For instance, Skaikh Khalid bin Saqr Al Nahyan, chairman of the Executive Committee of the Dubai Economic Council, said: »We live in a world that is open to a wealth of opportunities, so there is no escape from opening more channels for foreign investors supported by a foreign investment regulation that is essential for developing and promoting the investment climate« (cited in Gulf News 01.06.2008). The new UAE Minister of Economy, Sultan bin Saeed Al Mansour, too repeated the need for reforms in order to attract more FDI. He said that »As long as this investment [by foreign investors] is useful for the country, why should foreigners not own these projects, especially if these business projects involve a huge amounts of capital, and big companies and countries compete for them« (cited in Glass 2008). In March 2010 the Minister of Economy announced that the draft of the law which should allow more foreign ownership rights would be submitted to the cabinet (Carvalho 2010; John 2010). In May 2010 the government announced that the Ministerial Council for Legislation completed discussions on 320 articles of the draft law and that there were only a few more articles to be discussed. The draft, it was reported, would allow for more foreign ownership rights (Sambidge 2010). It was, then, in June 2010 that the draft law was approved by the Ministry. According to a local newspaper, which spoke to the legal adviser at the Ministry of Economy, the draft had only to be approved by the cabinet and sent to the FNC for discussion (Arabian Business 07.06.2010).[239]

238 Government officials told that they are also working on a study about the economic laws and legislation which aims to develop and modernise the laws in order to remove the obstacle to FDI (Gulf News 02.01.2006).

239 In fact, the attempts of the government to the change the CCL and to draft a new foreign investments law do also repeatedly appear in the government's reports to international economic organisations. In 2005, for instance, the UAE authorities have reported to the IMF that the UAE »is amending the Com-

The most »busy« period regarding changes in the CCL occurred, however, in 2011. At this time, the Minister of Economy, Sultan bin Saeed Al Mansoori, said that the law could come soon: »It could be this week or next week or next month. From the ministry level, our work is done« (cited in Davids 2011). It was then reported that the new CCL would allow 100% foreign ownership when finally approved by the Cabinet (Gulf News 26.11.2011; Parmar 2011a; Valdini 2012). In its 2012 report to the WTO the UAE government even noted that the restricted foreign ownership right »is changing with the proposed amendment of the federal law on commercial companies« (WTO 2012a: 8). Some lawyers, like Hardeep Plahe, working as a counsel at the global law firm Linklaters, even declared that the loosening of foreign ownership rights »has been pretty much set in stone« (cited in Parmar 2011a).

But as it turned out, enacting the law would take more time. Thus, it was after almost two years that the Minster of Economy declared in 2013 that the new CCL would be issued at the end of 2013 (Salem 2013a). But the 2011-Draft, which should have been issued in 2013, could not be enacted either, and it was finally in 2015 that a new CCL was enacted as the UAE Federal Law No. 2 of 2015.[240] Importantly, within this law the restriction of foreign ownership rights was maintained (John 2015; WTO 2016a: 28-29; Al Mulla 2015).[241] A closer look at the debates on a new CCL throughout this process shows that nationally oriented social forces, especially national businesses and the FNC, were important in the decision not to include an extension of foreign ownership rights into the new CCL.

4.2.3. Nationally oriented social forces and the Federal National Council

The UAE government wanted to introduce changes as far back as the early 2000s, and yet it has taken more than ten years for a legislative draft to be discussed. The reason for this long delay is that many nationally oriented social forces were strongly opposed to the removal of foreign ownership restrictions. Although some members of the FNC explicitly favoured a change of the CCL to allow for more foreign ownership rights,[242] the FNC, from the outset, largely opposed any changes to the foreign ownership rights. This point is especially important because the FNC, as has been noted already, is usually considered as not really influential within the legislation process.

mercial Company Law, applicable across the federation, which may see the ceiling on foreign ownership raised from the current 49 percent« (IMF 2005: 19). In its report to the WTO in 2006 the UAE government noted that it was re-examining the CCL and that there were discussions underway (WTO 2006: 11).

240 The law can be accessed at the website of the UAE Ministry of Justice, http://ejustice.gov.ae/downloads/latest_laws2015/federal_law_2_2015_commercial_companies_en.pdf (accessed 15.04.2016)

241 Al Mulla (2015) even argues that »the provisions of the current law are merely cosmetic changes to the old while leaving the main structure untouched.« He especially mentions that the law has now introduced modern definitions and brought more clarification regarding concepts such as »book building« and »strategic partners« and also makes references to »corporate governance«.

242 Habib Al Mulla, a member of the FNC, for example, stated that »The commercial companies law in the UAE is a real barrier of economic growth, attraction of foreign direct investments and private ownership. The existing commercial law which compels foreign companies operating in the country to have local sponsors or partners holding 51 per cent of equity and remaining 49 per cent for the real owner has caused a lot of ambiguity in the commercial circles« (Khaleej Times 14.06.2004). Another FNC member told that »It will be great to create a kind of joint venture between the foreign investors and local traders so that both parties will benefit and learn from each other. The new law to allow expatriate hold their own business without a local partner will help the country to attract massive inflow of foreign direct investment« (cited in Eltayeb 2004).

In fact, the UAE government, especially the Minister of Economy, Sultan bin Saeed Al Mansouri, has on some occasions »acknowledged the issue was ›sensitive‹« (Glass 2008). But although he assured that »there was nothing to be feared from foreign investment« and that »the protection of nationals would be guaranteed« (Glass 2008) the FNC kept its opposition against extended foreign ownerships rights. Thus, Eltayeb (2004) reports that already early on there were many reservations from national businessman and economic officials »who feel that the time of allowing 100 per cent ownership in business is not yet ripe. Their log is than nationals should be defended to establish themselves much more before allowing expatriate to handle business by their own.« The speaker of the FNC, Abdul Aziz Al Ghurari, said in 2009 that they have to study a new law regarding more foreign ownership rights in depth and that there are different opinions regarding this point. He remarked that »You have to strike a balance. What is that balance? We need to study in depth. At the end of the day, you don't want all businesses owned by foreignners, leaving nationals no role to play in the economy of the UAE« (cited in Habboush 2009). In 2010, it became clearer that some revisions had to be made regarding foreign ownership rights. Thus, Mohammed Omar Abdulla, undersecretary of Abu Dhabi's Department of Economic Development, noted that »The new companies law in the UAE will make a relaxation in foreign ownership«, but importantly, he added that »It will not be up to 100 percent, it will be more than 49 percent« (cited in Carvalho 2010).

The discussion and the results regarding the 2011-Draft are thereby especially important. Thus, the specific importance of the 2011-Draft was that it foresaw that the UAE federal cabinet could issue a resolution »which determines the form of companies and activities or classes of activities which could be held in full by a foreign business or where the share of the foreign business may exceed 49 per cent of the share capital of the company« (Latham & Watkins 2013: 1).[243] Additionally, the 2011-Draft did also not require the chairman of a joint stock company to be a UAE national (Latham & Watkins 2013: 2). As a result, this draft was, first, reflecting some of the interests of foreign investors by loosening the restrictions on foreign ownership rights and, second, delegating the decision on the allowance of more foreign ownership to the federal UAE cabinet.

Actually, the FNC started to discuss the 2011-Draft in January 2012. In early 2013 there was an ongoing debate with differing standpoints regarding raising foreign ownership rights, and there was still no progress until the FNC started to discuss the draft during four sessions in February 2013 (Ahmad 2013; Arnold 2012, 2013b, c). According to Salem (2013d) this session represented »the longest the council has ever spent on a single piece of legislation«. It was also during this period that many foreign investors were curious about the results of the discussion. Arnold (2013b) reports that »Law firms and business consultants say they are being inundated with inquiries from international companies asking whether they will be allowed to take majority ownership of any operation they set up in the UAE if the law comes into force.« However, during this period, more specifically in May 2013, the 2011-Draft has remained in limbo as the FNC delayed the discussions of the law without giving any reasons for the delay (Arnold 2013c; Dajani 2013; Salem 2013d).

243 Mohammed al Shihhi, the director general of the Minister of Economy said in 2009 that the draft law of the Ministry »will give special Cabinet approval to certain sectors to have more ownership than 49 per cent« (cited in Sambidge 2009).

After many delays and discussions, the draft could only be approved at the end of May 2013. After discussions at the 14th session of the FNC, which was attended by Sultan bin Saeed Al Mansouri, the Minister of Economy, and Anwar Mohammed Gargash, Minister of State for Foreign Affairs and Minister of Federal National Council of Affairs, the new draft was finally approved by the FNC (Salem 2013c; Khasawneh 2014; McGinley 2013).

However, the 2011-Draft of the CCL was significantly revised before the FNC could approve it in May 2013. Although the UAE government considered a new CCL as one of »the most critical laws« for the economy (Arnold 2013b) and wanted to maintain the clauses allowing for extended foreign ownership rights (Dajani 2013), the FNC managed to put enough pressure to remove the clauses of the law which would allow more foreign ownership rights. The FNC removed a controversial clause allowing majority foreign ownership of companies so that an Emirati must still be a partner and own a majority stake (Salem 2013b).[244] More specifically, the difference of the draft approved in 2013 to the 2011-Draft was that the more liberal clauses of the 2011-Draft were removed. For instance, the provision of the 2011-Draft »giving foreign companies opening a branch in the UAE the *option* to have an Emirati agent« (Salem 2013b, emphasis added) was changed making it obligatory to have an Emirati as an agent. Ali Al Nuami, head of the finance committee of the FNC, said that the reasoning of the FNC members »was if it was optional, then no one would have an Emirati service agent« (cited in Salem 2013b). It is from this backdrop that the 2013-Draft introduced the requirement that the chairman of a joint stock company has to be a UAE national (Latham & Watkins 2013: 2; McGinley 2013).

More importantly, the possibility to allow more foreign ownership rights in certain cases (as proposed in the 2011-Draft) was removed and replaced by the requirement that foreign ownership would be limited to 49%. As a consequence, according to the agreed version of the law, UAE nationals must hold 51% of the share capital of a limited liability company, private joint stock company or public joint stock company (Oxford Business Group, n.d.).[245] One additional and important part of the agreement was to clarify the differences of operation of businesses within and outside of the FEZs. Thus, it was explicitly agreed that FEZ companies are exempted from this law. But if these companies want to operate outside of the FEZ, i.e. if the laws and regulations of the FEZ permit business activities outside of the zone, these operations will be subject to the agreed CCL law (Khasawneh 2014; Oxford Business Group, n.d.). One of the main arguments of the FNC members during the debates covering the period between 2011-2013 was that a new CCL »should focus on Emirati business rather than foreign investment« and that »as the

244 In fact, it was evident already in early 2010 that regarding the draft law which was being finalised, the UAE government had decided to increase foreign ownership rights, but that it would not be 100% (Sambidge 2010). In 2011, Mohammed Al Shihhi from the undersecretary of the Ministry of Economy explicitly noted that »The companies law, the new one, will maintain the same percentage in terms of ownership. We have the free zones that give 100 percent ownership and at the moment there are no plans to change that. We will continue with the current incentives, such as no tax« (cited in Broomhall 2011).

245 Gulf nationals constitute an exception as they may, in certain cases, hold 100% of the issued share capital in these companies (Oxford Business Group, n.d.). The 2013 Draft has, however, introduced a new provision on »reconciliation« of offences before referring to the court. Among the offences listed in the 2013 Draft CCL is also mentioned the failure that UAE nationals should hold at least 51% of a company's share capital (Latham & Watkins, 2013: 2). This may be seen as a response (or an alternative path) to increased problems between UAE nationals and foreign investors increasingly taken to the court.

Companies Law focused on Emirati business, it was natural to move the legislation [regarding foreign ownership rights] to the Investors Law« (Dajani 2013).

The pressures of the FNC members »for the removal of the most anticipate clause« (Salem 2013d), of course, resulted in critics from many foreign investors and lawyers who represent investors (Salem 2013e). This was portrayed as »a move that disappointed lawyers and prospective foreign investors« (Arnold 2013c). As result, it was widely reported that the reforms were »not as radical as some investors were hoping for« (Khasawneh 2014) and that »businesspeople are disappointed« (The Economist 19.04.2014). These critics were, however, rejected by FNC members. Ali Al Nuaimi, a member oft he FNC from the emirate of Ajman, for instance, said: »I don't think it will affect investment from the Emirates' point of view, and foreign investors will still have several options to set up their business and operate it hassle-free in UAE« (cited in Salem 2013e). Importantly, according to the *The Economist* (2014), the UAE still remained an important region for foreign investors and that despite the limitations »businessmen agree that the UAE's advantages far outweigh its handicaps«. Furthermore, it has to be noted that the restriction of shares of foreign ownership to 49% is on the shares alone. Thus, the foreign minority shareholder may appoint all of the directors and the general manager may veto major decisions of the company and, importantly, may be entitled to more than 49% of the company's profits (Latham & Watkins 2011: 3). Beyond these points, the UAE remains to keep its historical role as hub between the East and the West and can be used »as a springboard for expanding across the region and beyond« (The Economist 2014).[246]

The new CCL itself came, then, finally into force in July 2015 as Federal Law No. 2 of 2015 after it had been approved by the FNC in April 2015 (WAM 07.06.2015). In Art. 10 it is stated that:

> »(1) With the exception of Joint Liability Companies and Simple Commandite Companies where all the joint partners of any of such companies shall be UAE nationals, any company established in the State shall have one or more UAE partners holding at least 51% of the share capital of the company. (2) Notwithstanding the provisions of Clause 1 of this Article, the Cabinet may, based on the proposal made by the Minister in coordination with the competent authorities, issue a Decision setting the class of activities to be exclusively exercised by UAE nationals. (3) Any transfer of the title to any share of a partner that may affect the percentage as set out in Clauses 1 and 2 of this Article shall be invalid.«[247]

The new law also contains a specific article on FEZs which explicitly states that this law does not apply to companies established and operating in the FEZs but that »such companies shall be governed by the provisions of this Law if such Laws or regulations permit to conduct the activities of such companies outside the free zone in the State.« (Art. 5(1)).

As result of this whole process, the FNC and the UAE government, in this case the Ministry of Economy, agreed that the removal of restrictions regarding foreign ownership rights should be discussed in drafting a new foreign investment law (Arnold 2013c; Dajani

246 This geographically important position of the UAE does indeed often appear in business magazines. See on this, for instance, the fDI Supplement of the Financial Times (fDI 2013) which contains many statements of the business community on this feature of the UAE and notes that it is estimated »that approximately 1.8 billion people live within a five-hour flying radius of the emirate« (fDI 2013: 3).

247 The CCL of 2015 can be accessed at the website of the Ministry of Justice: http://ejustice.gov.ae/downloads/latest_laws2015/federal_law_2_2015_commercial_companies_en.pdf (accessed 15.04.2016).

2013; Khasawneh 2014; Latham & Watkins 2013). Regarding this new law, the Minister of Economy said in February 2013 that it was under review by the technical committee of the Ministry of Justice and should be at the FNC in June 2013 (Dajani 2013). It has been stated by the UAE government that »The main advantage of this new draft law for foreign investors will lead to increasing the percentage of foreign ownership of projects up to 100% in the sectors or the activities prescribed by the law and meet the standards set for foreign investment projects by the law« (WTO 2016b: 9).

It seems, however, that this law will have a similar, but maybe even more contested trajectory than that of the CCL. Thus, in 2016 there was still no real progress (WTO 2016a: 11). Despite the announcements of the Ministry of Economy that the new law allowing for 100% foreign ownership for companies operating outside of the FEZs in certain sectors »was a step closer to being approved« (Salem 2015) there were still many reservations against this. Some members of the FNC, Gharib Al Saridi from the emirate of Fujairah, for instance, said that because such a law would have an impact on local investors, FNC members have to speak to these local investors in order to get their opinions on that subject (Salem 2015). Ali Al Nuaimi, a FNC member from the emirate of Ajman, also noted that although he was in favour of attracting more FDI, the related legislation would be debated in the FNC »with caution«; he added that »he foresaw objections from his peers« (Salem 2015). These objections were basically based upon the fears of local investors regarding increased competition. »Therefore,« he said, »to protect these companies in the country, there may be objection over the bill. Without doubt, we encourage foreign investment, but not at the expense of local investors« (cited in Salem 2015).

5. Concluding remarks

One of the most important developments in the Gulf region since the late 1990s is that the Gulf States have adopted a development path that is market-oriented and emphasises the importance of the private sector. This is not only observable in the statements of the Gulf governments but also manifests itself in the implemented policies of privatisation and economic liberalisation as illustrated in the case of the UAE and other Gulf States. This does not mean that the oil-dependence is becoming less important. In fact, oil still plays a central role. But the difference to the period from the 1970s onward is that, first, revenues from oil are explicitly used to enhance the development of a private sector and that, second, the newly emerging »Khaleeji capital« has become to be an actively and internationally operating capital, especially within the broader region of the Middle East.

One of the important aspects of this process of enhancing a private sector, or to be more specific, the process of economic liberalisation and privatisation, has been that it developed in close relationship with international economic organisations such as the IMF and World Bank. This fact is important because at a first sight there seems to be no dependence of the Gulf States on these institutions, as Gulf States did not borrow money from international institutions and were thus not subject to structural adjustment programmes (Hvidt 2011b). However, it is important to keep in mind that the developments in the Gulf region have to be approached also with a focus on the international level because »the GCC is not a sealed bubble that can be understood through a narrow focus on what goes on solely inside its borders […]. Rather, this regional space is constituted through the relations that exist between it and global capitalism as a whole« (Hanieh 2011: 16).

International economic organisations have been closely involved in the process of the Gulf States' aim to move towards a market-oriented development. Especially the cooperation with the IMF and the accession process of the Gulf States to the WTO has been important in this sense. It is also within this context that Hvidt (2011b: 44) notes that we should be »aware that the neoliberal policies of such institutions indirectly exercise structural pressure on the GCC countries to conform to their policies.« In the case of Saudi Arabia, for instance, although international economic organisations such as the IMF and the World Bank are not present in the country because of debts or structural adjustment programs so that they can impose political conditions, they nonetheless »are present as paid consultants« (Hertog 2010: 223). Therefore, the fact is that central neoliberal ideas embodied and expressed in these international economic institutions, e.g. the emphasis on a market-oriented development, and the need to enhance a private sector and to implement privatisations, have increasingly become a central part of the policies of the Gulf States.

A second important aspect of this process has been that this structural move towards a market-oriented development was explicitly enabled and guided by the state, and reveals that the changes were initiated by the state and thus were mainly »top-down« changes. Actually, already in the early 2000s the World Bank noted that the process of economic liberalisation in the Middle East takes place through top-down reforms. Although the World Bank (2004: 215) notes that top-down reform »reproduces state-centered approaches to the management of economic and social policy« and that reforms which may really need social support are made difficult it nonetheless considers it as »an adequate mechanism for advancing policy objectives that required change in bureaucratic practices and regulatory procedures and the modification of state economic policies.« In fact, in the case of the Gulf States, the introduction of neoliberal policies through top-down strategies has indeed encountered difficulties, for instance regarding privatisations in certain sectors (Ulrichsen 2016: 14-17; Wilson 2006: 171), and it has to be noted that there is a »challenge of grafting domestic support onto ideas and initiatives largely ›imported‹ from external sources« (Ulrichsen 2016: 16).

The importance of considering different social forces at different levels as well as social configurations and state-society relations at the national level for approaching the implementation of neoliberal policies reveals itself also in the case of state policies towards the international mobility of capital, which has been analysed especially focusing on FDI. Thus, on the one hand, the structural transformation towards a market-oriented development went hand in hand with implementing favourable conditions for FDI. The increased upsurge of FDI to the Gulf region and the dominant position of the UAE at attracting FDI to the Middle East was accompanied by attempts to create a business-friendly environment for FDI. The UAE implemented many liberal regulatory changes and reforms in order to ease the entry, operation and exit of FDI. Especially, the establishment of almost 40 free economic zones providing a business-friendly environment stick out. The zones provide many incentives to attract FDI such as easy and un-bureaucratic entry; favourable regulations regarding the operation of investments, including the regulation of labour; and favourable exit conditions for FDI.

Additionally, especially from the 1990s onward the UAE signed many BITs in order to attract and protect FDI including many aspects related to the entry, operation and exit of FDI. It is in this context important to note that since 2005 the UAE government has also been part of the MENA-OECD Programme, which aims to create a more business-friendly environment for FDI. It is within this context that the UAE adopted a National Investment Reform Agenda (NIRA) in 2006 and has, together with the OECD, international economic organisations and the private sector, organised workshops on necessary regulatory changes and the adoption of a federal FDI law (MENA-OECD, n.d.).[248]

These developments altogether point to the increased centrality of the internationally mobile capital at developing and implementing policies. And many foreign investors and foreign business owners positively refer to the conditions created in the UAE. In the case of Dubai Hvidt (2007: 566-567) even argues that:

> »the historical power balance between the ruler and the merchants, in my view, is replaced by a new balance, namely between the ruler on one side and a class of both local and international business entrepreneurs on the other. This significantly limits the ruler's room to deviate from the present path dependent, strongly pro-business development course. This is so because such a policy change would endanger the development project he is heading. The ruler is under constant threat that parts of the business elites might leave the country in order to seek better opportunities elsewhere. And as such he is forced to accommodate the wishes of the new internationalized business class in policy formulation and execution.«.

As such, foreign investors and foreign business owners are also involved at creating »neoliberal narratives of economic freedom« so that »Foreign business elites participate in the production of the legitimacy of the state and the production of a particular version of ›closed‹ citizenship and national identity. The state satisfies these expatriate clients by affording them particular rights, which include the ability to govern other populations and access to wealth accumulation« (Vora 2010: 48).

Yet, on the other hand, the increasingly business-friendly regulations in the UAE coexist with severe restrictions on foreign ownership rights, which are limited to 49% outside of the FEZs. Although this restriction can be and indeed is in many cases side-lined, it is still one of the main obstacles to the internationally mobile capital.[249] This restriction therefore has been at the centre of decade long debates surrounding FDI. It has been widely criticised by foreign investors, international economic organisations as well as by internationally oriented social forces within the UAE. As a matter of fact, the UAE government not only has many times and publicly declared its intention to remove the restrictions in favour of FDI but also proposed different draft laws to introduce changes. However, despite these efforts the restrictions remained intact and the drafting of new FDI law is still pending. This fact is important in many ways.

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248 See also the Draft Agenda of the NIRA Workshop on 21 December 2006 at http://www.oecd.org/mena/competitiveness/37843769.pdf (accessed 21.06.2016). For a detailed overview of the workshop see https://www.oecd.org/mena/competitiveness/38148924.pdf (accessed 21.06.2016).

249 The restriction on foreign ownership rights outside of the FEZs is often sidelined by signing an agreement with an Emirati partner/sponsor which states that he has no claims to the business beyond an annual fee. Thus, the foreign investor can conduct his business outside of the zones and the Emirati sponsor has »a very welcome income stream that [requires] very little work.« (Al Gergawi 2011; see also Davidson, 2014: 272-273). A serious problem here is, however, that if there should emerge any disputes between both sides the side agreements are legally not recognised by the courts (Al Gergawi 2011).

First, the debate on and the process of implementing changes illustrates that, at least in the case of the UAE, we cannot speak of a straightforward and top-down adjustment of policies favourable to the internationally mobile capital. Parts of the nationally oriented social forces as well as the FNC seem to have been central at keeping the restrictions on foreign ownership rights alive. The remark of the WTO (2012b: 24) that »The purpose of the UAE's investment policy is to maintain a balance of preserving business opportunities for UAE citizens while receiving foreign investment and know-how and promoting dynamism in specific areas« also points to this aspect.

Second, as has already been noted, many scholars have argued that the FNC is just an advisory body without much power. But the debate on the expansion of foreign ownership rights as well as the legal outcomes of this process shows that the FNC has been central at hindering any changes, and that it was backed by nationally oriented social forces. Indeed, the UAE government itself had to declare during this process that although it is in favour of attracting more FDI and to introduce liberal changes, it also has responsibility with regards to »preserving and protecting the economic interests of the nationals and guaranteeing them a share in their own market«, and that changes can only be introduced »after reaching a certain maturity« (WTO 2006: 11). Mohamed Omar Abdull, the undersecretary of the Abu Dhabi Department of Economic Development, said: »We recognise the importance of the foreign companies to have 100 percent ownership, but within specific rules and conditions« (cited in Valdini 2012).[250] Essam Al Tamimi, who is head of the law firm Al Tamimi & Co. which has advised the UAE government on many issues including foreign investments and the drafting of a new CCL says that any law which is enacted will have an impact on the economy and that »the authorities are being very cautious in trying to bring in the law at the right time to protect the local economy. The law should encourage foreign investment while not killing local industry, and this is a very fine balance to strike« (cited in Townsend 2015b).

The above remarks also build the basis for the third important point to be mentioned, namely that the UAE has not been passively exposed to a form of world hegemony – although it has internalised some core ideas of this hegemony – which has resulted in implementing neoliberal policies in a unidirectional way. In line with this and in the specific case of the UAE, the whole process and its contradictions indicate that there are social configurations and related societal and economic demands at the national level which the state has to take into account.

This, in turn, means that the strong notion on the absence of hegemony and the prevalence of domination and coercion, at the least in the case of the UAE, seems to be

250 In fact, in 2013 as the discussions on finalising the new CCL were going on and there seemed to be an agreement to postpone the extension of foreign ownership rights to be included in a new FDI law, the UAE government introduced a new law regarding small- and medium-sized enterprises (SMEs). The aim of the law, which was enacted in April 2014, is to support the establishment and operations of SMEs by giving them greater access to state contracts and loans. It was reported that 10% of future government contracts should be awarded to SMEs (Arabian Business 13.04.2014; Arnold 2013c; The Economist 19.04.2014). More generally, the period from the 2000s onwards is characterised by attempts and legal steps by the Gulf States to encourage the establishment of businesses by nationals so that small and medium-sized enterprises became »a buzz phrase« (AlShebabi 2015: 34-35).

problematic. In this sense, the case of the UAE in some aspects reinforces the argument of Morton (2003: 649), who noted in the case of Mexico that the path to neoliberalism neither meant a retreat of the state nor that the state acted as »a simple conduit or ›transmission belt‹«, but that »the dissemination and acceptance of neo-liberal values [...] has meant an adaptation of social relations to culturally specific conditions.« This, in turn, enforces the argument that the interplay of the international and national levels or how the out-ward expansion of the described neoliberal order »occurs in different countries and regions is a matter of empirical investigation« (Bieler and Morton 2003a).

7 State Policies Towards International Labour Migration: Between Free Mobility and Replacement

Until now we have seen that the Gulf region witnessed an important increase of FDI and that policies towards FDI, in the case of the UAE, constitute a field of struggle where different nationally and internationally oriented social forces play an important role, revealing itself through the contradictory development of FDI policies, which can be characterised by progress on the one hand and stalemate on the other hand. The aim of this chapter is to analyse state policies towards international labour migration. The chapter will highlight that the Gulf region has been an important region especially for international labour migration and try to provide a detailed explanation of state policies towards international labour migration. The main argument developed here in the case of the UAE is that, as a result of the importance of nationally and internationally oriented social forces, state policies towards international labour migration oscillates between free mobility for and replacement of migrant labour.

1. History of and trends in international labour migration to the Gulf region

Within the broad literature on migration the main focus of research has been on migration towards Western countries so that South-South migration has received relatively less academic attention. Yet the migrant population originating from and living in the South grew from 57 million in 1990 to 90 million in 2015, representing an increase of 57% (UNDESA 2016: 2). Thus, South-South migration flows, which are likely to be underrecorded, »could possibly be the dominant pathway or, at least, be as important as the South-North flows« (IOM 2013: 56). The Middle East takes a central place in this context. For one, the region is an important source and transit region for migration flows towards Europe (Baldwin-Edwards 2005, 2006; Fargues 2004; IOM 2011, 2015; Zohry 2013). But the Middle East is also one of the most important destination regions for refugees. In 2014, for instance, the top five destination countries for refugees were within the Middle East, hosting 9.4 million refugees (IOM 2008; UNHCR 2015; World Bank 2016).[251] Impor-tantly, the Middle East is also one of the main destination regions for South-South labour migration, whereby the Gulf countries occupy a central position.

In fact, migration to the Gulf region is not a new phenomenon (Seccombe 1983; Seccombe and Lawless 1986; Thiolett 2016). Thus, AlShebabi (2015: 5) notes that »The systematic import of foreign labour began in the nineteenth century under British colonial rule.« Later on, in the late 19th and early 20th century the region also witnessed an increase in migration flows because the expansion of the pearling industry creating a demand for migrant labour (Davidson 2005: 12). Whereas the collapse of the pearling industry in the 1930s meant an economic downturn, it was however during this time that oil was disc-vered in the region so that there was a further flow of labour to the region. It was during this period that »British companies dominated development contracts in the area and brought labor to work in construction, wholesale trade and retail, and other service sectors« (Hanieh 2011: 61). The British companies had primarily focused on bringing in labour from Asia, especially from the Indian subcontinent. Thiolett (2011: 106) notes that »In the 1930s, the British imported large numbers of Indian workers in order to secure control of the oil sector in the Gulf.« In Saudi Arabia, which has never experienced British control, American companies have dominated the extraction of oil. That is the reason why most of the administrative and skilled labour was from the US, followed by cheap semi-skilled workers from Italy and unskilled workers who were mainly from the local Saudi population (AlShebabi 2015: 7).

It was, however, the expansion of oil production after World War II that migration flows increased rapidly and migrant labour was brought in to be employed, primarily for the setting up of infrastructure including roads, education and health services, and in industries related to the production of oil. With the increase of oil prices from 1973 onward and the related expansion of infrastructure projects the number of migrant workers further increased. This process was further accelerated in the early 2000s by the increase of oil prices and the increased efforts to initiate a market-oriented development and the related privatisations (AlShebabi 2015).

251 This is the reason why Arar, Hintz and Norman (2016) critically note that the real refugee crisis due to the civil war in Syria is in the Middle East and not in Europe. They note that the Middle East as a whole hosts 4.8 million Syrian refugees (those from Iraq, Palestine and other countries not included).

According to Colton (2010: 34) currently »The GCC states are among the largest ›pull‹ states for migrants in the world«, and the IOM (2008: 474) notes that the Gulf region constitutes »the third-largest region of destination in the world after North America and Europe«. Regarding labour migration to the Gulf region Al Youha and Malit (2014) even argue that it constitutes »the largest recipient of temporary labor migrants in the world« (see also Naufal and Genc 2012: 12-13; Colton 2010: 34; UN ESCWA 2007: 4).

The stock of migrants in the GCC region increased from about 2 million in 1975 to more than 15 million in 2010. According to ILO (2014: 4-5) the number of migrants in the region has increased to more than 22 million in 2013 (Table 33).[252]

Table 33: Stock of migrants in Gulf countries, 1975-2010 (thousands)

	1975	1980	1985	1995	2000	2005	2010	2013
Bahrain	60	103	159	224	239	278	315	729
Kuwait	687	694	1,227	1,252	1,500	1,870	2,098	2,028
Oman	100	179	220	587	624	666	826	1,112
Qatar	84	122	126	385	471	713	1,305	1,600
Saudi Arabia	934	2,383	3,881	6,270	5,136	6,337	7,289	9,060
UAE	331	697	713	1,781	2.286	2,863	3,293	7,826
Gulf, total	2,196	4,178	6,326	10,499	10,256	12,727	15,126	22,357

Sources: Shah (2004a: 95); IOM (2010: 210); ILO (2014: 4-5)

A closer look at the stock of migrants within the Gulf region shows, first, that over the whole period from the 1970s onward there was a continuous increase in the numbers of migrants in each Gulf country and, second, that Saudi Arabia and the UAE in particular have been the two main countries hosting the majority of migrants in the Gulf region.

From the 1970s onward the combined share of migrants in these two countries at the overall stock of migrants in the Gulf region almost always exceeded 70% (Table 34).

Table 34: Combined share of the UAE and Saudi Arabia in the Gulf migrant stock, 1975-2010 (%)

1975	57
1980	73
1985	61
1995	76
2000	72
2004	75
2005	72
2010	70
2013	75

Source: Based on data from Table 34

252 It has to be noted that migration data for the Gulf region is not easily available, inconsistent and often not complete (see on this Baldwin-Edwards 2011: 2-7; Shah 2004a: 91; Shah 2013: 40-42).

Whereas the number of migrants in the UAE increased from 331,000 in 1975 to almost 8 million in 2013, the number of migrants in Saudi Arabia increased from 934,000 to more than 9 million during the same period (Table 33). This means, in the case of the UAE, an immense increase of more than 2,200%, and in the case of Saudi Arabia an increase of almost 900%. The increase for the whole Gulf region was more than 900%. According to UNDESA (2013c) the UAE and Saudi Arabia also rank amongst the top ten countries with the largest numbers of migrants (Table 35).

Table 35: Countries with the largest numbers of international migrants, 2000, 2013 (millions)

	2000	2013
USA	35	46
Russian Federation	12	11
Germany	9	10
Saudi Arabia	5	9
United Arab Emirates	2	8
United Kingdom	5	8
France	6	7
Canada	6	7
Australia	4	6
Spain	2	6

Source: UNDESA (2013c)

The importance of both countries is also evident regarding their contribution to the overall increase in the international migrant stock. According to the UNDESA (2011), for the period between 2000 and 2010 three countries from the Gulf region – the UAE, Saudi Arabia and Qatar – were among the leading countries contributing to this increase. Whereas Saudi Arabia has accounted for 6% of the overall 75% of the increase in the international migrant stock between 2000-2010, the UAE accounted for 3% and Qatar for 2 % of the increase during the same period. Thus, these three countries together accounted for 11% of the 75% increase in the stock of international migrants between 2000-2010 (Table 36).

According to UNDESA (2013a) the UAE and Saudi Arabia are also among the top ten corridors of migration in the South. Thus, migration from India to the UAE ranged at 2.9 million migrants, constituting the second largest corridor of migration in 2013. Migration from India to Saudi Arabia ranged at 1.8 million in the same year and constituted the ninth largest corridor of migration in the same year (Table 37).

It is not only the high numbers of migrants in the Gulf region that illustrates the importance of migration to the region. Equally important is that the Gulf region also constitutes one of the regions with the highest share of migrants in the population (Table 38). In fact, during the whole period between 1990 and 2013 Gulf countries were among the top ten countries with the highest percentage of migrants worldwide (Table 39). The UAE, Qatar and Kuwait in particular rank at the top of the list. But Saudi Arabia, Oman and Bahrain, although with lower percentages, also continuously appear among the top ten countries with the highest share of international migrants in their population.

Table 36: Countries accounting for 75% of the growth in international migrant stock in the world, 2000-2010

Rank	Country	Increase in migrants stock (2000-2010) Absolute (thousands)	As percentage of the increase in total migrants stock	Cumulative percentage
1.	USA	7,999	23	23
2.	Spain	4,625	13	36
3.	Italy	2,342	7	42
4.	Saudi Arabia	2,152	6	48
5.	United Kingdom	1,662	5	53
6.	Canada	1,647	5	58
7.	Syrian Arab Republic	1,282	4	61
8.	Jordan	1,045	3	64
9.	United Arab Emirates	1,007	3	67
10.	South Africa	841	2	69
11.	Qatar	835	2	72
12.	Malaysia	804	2	74
13.	Germany	777	2	76

Source: UNDESA (2011: 3)

Table 37: Top ten corridors of migration, 2013 (millions)

Destination South			Destination North		
Country of origin	*Country of destination*		*Country of origin*	*Country of destination*	
Bangladesh	India	3.2	Mexico	USA	13.0
India	UAE	2.9	Russia	Ukraine	3.5
Russia	Kazakhstan	2.4	Ukraine	Russia	2.9
Afghanistan	Pakistan	2.3	Kazakhstan	Russia	2.5
Afghanistan	Iran	2.3	China	USA	2.2
China	China, Hong Kong	2.3	India	USA	2.1
Palestine	Jordan	2.1	Philippines	USA	2.0
Myanmar	Thailand	1.9	Puerto Rico	USA	1.7
India	Saudi Arabia	1.8	Turkey	Germany	1.5
Burkina Faso	Côte d'Ivoire	1.5	Algeria	France	1.5

Source: UNDESA (2013a)

Table 38: National and non-national population in the Gulf countries, 2008 (millions)

	Total population	Expatriate population	% of expatriates to total population
Bahrain	1,100,000	572,567	52
Kuwait	3,400,000	2,310,000	68
Oman	2,870,000	900,000	31
Qatar	1,600,000	1,376,000	86
Saudi Arabia	24,800,000	7,110.000	29
UAE	5,600,000	4,730,000	84

Source: Kamrawa and Babar (2012a: 8)

Table 39 Countries with the highest percentage of international migrants worldwide, 1990-2013

1990		2000		2005		2010		2013	
Qatar	78%	UAE	81%	Qatar	78%	Qatar	87%	UAE	84%
Kuwait	77%	Qatar	79%	UAE	71%	UAE	70%	Qatar	74%
UAE	72%	Kuwait	79%	Kuwait	62%	Kuwait	69%	Kuwait	60%
Macau	56%	Macau	56%	Singapore	43%	Jordan	46%	Macau	59%
Hong Kong	38%	Jordan	40%	Bahrain	41%	Palestine[3]	44%	Bahrain	55%
Israel	36%	Hong Kong	39%	Israel	40%	Singapore	41%	Singapore	43%
Bahrain	35%	Bahrain	37%	Jordan	39%	Israel	40%	Jordan	40%
Jordan	34%	Singapore	35%	Saudi Arabia	26%	Hong Kong	39%	Hong Kong	39%
Saudi Arabia	31%	Israel	31%	Oman	24%	Oman	28%	Saudi Arabia	31%
Singapore	24%	Oman	28%	Switzerland	23%	Saudi Arabia	28%	Oman	31%

Notes: 1. For the years 1990, 2000, 2010 and 2013, countries with at least one million inhabitants were considered, 2. For the year 2005, countries with more than 500.000 inhabitants were considered.
Sources: UNDESA (2007, 2009, 2013b)

Migration to the Gulf region has been mainly labour migration so that »the dominance of foreignners has even been more pronounced in the workforce than in the total population« (Kapiszewski 2006: 3). It has been widely argued that increased economic development combined with the small populations of Gulf countries is also the main reason for the large presence of migrant workers (Baldwin-Edwards 2011: 12-14; Thiolett 2011: 105-106; Fox et al. 2006: 14; Winckler 1997, 2010). A closer look at the share of migrant workers in the overall labour force illustrates that their share is indeed very high. Whereas the share of migrant workers in the labour force in Saudi Arabia ranged from more than 40% to more than 60%, and had an average of almost 60% for the period 1975-2008, the UAE reveals an even higher share with an average of more than 86% for the same period. Other Gulf countries, although to varying degrees, also had high shares of migrant workers in their labour force during the same period (Table 40). According to more recent data from the GCC organisation, the share of migrant workers remained high in 2014, ranging from 55.5% in Saudi Arabia to 94.5% in Qatar (Table 41).

Table 40: Share of migrant workers in the labour force of Gulf countries, 1975-2008 (%)

	1975	1980	1985	1990	1995	1999	2000	2004	2005	2008
Bahrain	39.5	57.0	58.0	51.0	60.0	63.2	61.9	50.0	58.6	76.7
Kuwait	69.8	84.9	81.2	86.1	83.4	82.0	...	82.0	81.1	83.2
Oman	34.1	40.0	64.2	70.0	64.2	61.7	64.3	...	66.1	74.6
Qatar	80.6	82.6	89.7	91.6	82.1	87.1	81.6	90.0	56.7	94.3
Saudi Arabia	42.9	52.7	64.9	59.8	63.5	55.8	55.8	65.0	64.6	50.6
UAE	84.8	92.4	89.5	89.3	89.8	90.4	89.8	90.0	82.2	85.0

Sources: Baldwin-Edwards (2011: 9); IOM (2010: 210); Kapiszewski (2006: 4); Shah (2004a: 95); Shah (2006: 17); UNESCWA (2009: 24)

Table 41: Share of migrant workers in the labour force of Gulf countries, 2014 (%)

Bahrain	72.7
Kuwait	83.5
Oman	79.7
Qatar	94.5
Saudi Arabia	55.5
UAE	...

Sources: GCC-STAT (2016b: 65)

The labour markets of the Gulf countries are highly segmented with nationals predominantly working in the public sector and migrant workers making up the big part of the private sector (Baldwin-Edwards 2011; UNESCWA 2009). Although data from 2008 shows that some Gulf countries also have high shares of migrants in the public sector (e.g. Qatar and Kuwait), migrants usually constitute a small part of this sector. In the private sector, however, migrants constitute more than 80% of the labour force (Table 42). According to more recent data the share of migrant workers in the private sector ranges from 88.6% in Kuwait to 97.7% in Oman (Table 43).

The public sector, where the majority of nationals work, offers high wages, job security, social allowances, shorter working hours and generous retirement benefits. But the increasing reliance on the public sector seen throughout the 1990s is diminishing. There is a decline of the public sector, especially in Bahrain, Saudi Arabia and Oman. In Kuwait and Qatar there is still a heavy reliance on nationals in the public sector (Baldwin-Edwards 2011). In the UAE, in 2013 Emiratis accounted for 60% of the total labour force in the public sector but only 0.5% of the labour force in the private sector (De Bel-Air 2015a: 10). De Bel-Air (2015a: 10) also points to a survey of companies with the result that 89% of all managers and 99% of workers in unskilled positions were foreigners.

Table 42: Share of nationals and immigrants in the private and public sector, 2008

	Public sector		Private sector	
	Total (thousands)	Immigrants (%)	Total (thousands)	Immigrants (%)
Qatar	141.3	57.9	1,026.8	99.2
Kuwait	268.1	25.6	1,181.0	97.3
Oman	153.5	14.5	942.1	84.4
Bahrain	39.2	12.8	428.4	80.9
Saudi Arabia	2,811.1	5.3	5,145.8	80.3

Source: Baldwin-Edwards (2011: 17)

Table 43: Share of migrant workers employed in the private sector, 2014 (%)

Qatar	89.0
Kuwait	88.6
Oman	97.7
Bahrain	92.8
Saudi Arabia	96.1

Source: GCC-STAT (2016b: 98)

The small proportion of nationals working in the private sector is employed in high-productivity, highly paid jobs (ILO 2009a: 2-4; ILO 2009b). The majority of the migrant workers are predominantly employed in the sectors of construction, manufacturing, and services which increasingly developed as a result of the diversification policies of the Gulf States. This dominance of migrant workers in the private sector is a similar structural feature of all Gulf countries. In 2009, for instance, manufacturing, construction and real estate accounted for almost a quarter of the total employment in Saudi Arabia and the majority of the workforce in these sectors were migrant workers. In the UAE the same sectors accounted for more than a quarter (26.9%) in the same year, and more than 90% of the workforce in these sectors were migrant workers. Qatar is an even more extreme case. There, manufacturing, construction and real estate accounted for almost 60% of total employment and in all these sectors migrant workers constituted almost 100% of the labour force (Table 44).[253] According to official data from the UAE government the number of people employed in the construction sector increased from 780,390 in 2004 to 1,553,733 in 2010. In the real estate sector the number of workers increased from 109,295 in 2004 to 339,137 in 2010. In the manufacturing sector this number increased from 271,541 in 2004 to 407,369 in 2010. In these three sectors alone the workers constituted almost 60% of the UAE's overall workforce of around 4 million (UAE 2013).

253 The employment in the sector of wholesale and retail, another important sector accounting for between 11% and 18% of total employment in the Gulf countries, is equally dominated by migrant workers.

Table 44: Total and foreign employment by economic sector in the Gulf, 2009[1], % of employment and foreign worker proportion

	Bahrain[2]		Kuwait		Qatar		Saudi Arabia		UAE[3]	
	% of total employment	% foreign workers	% of total employment	% foreign workers	% of total employment	% foreign workers	% of total employment	% foreign workers	% of total employment	% foreign workers
Economic sector										
Agriculture and fishing	1.2	46.5	1.8	99.2	1.6	100.0	3.8	66.1	3.8	91.8
Mining and quarrying	---	---	0.3	26.5	5.0	91.8	1.3	8.5	2.0	80.8
Manufacturing	17.2	75.1	5.6	92.6	8.6	99.2	6.5	76.2	7.7	93.9
Electricity, gas and water	---	---	0.6	17.1	0.5	66.6	1.0	27.3	1.1	77.3
Construction	32.8	89.8	8.1	95.2	44.3	99.8	12.8	91.0	12.3	94.7
Wholesale and retail	17.9	81.6	15.3	96.4	11.0	99.4	16.6	79.8	15.4	93.9
Hotels and restaurants	6.6	89.1	3.2	87.0	2.0	99.9	2.8	89.0	4.0	95.7
Transport, storage etc.	3.8	55.5			4.4	97.0	4.4	38.9	8.2	88.2
Financial services	4.3	41.0	5.1	83.0	1.2	82.2	1.1	17.5	3.2	82.4
Real estate etc.	0.8	70.2			3.7	97.8	3.8	58.4	6.9	90.0
Public administr. / defence	---	---	---	---	5.1	43.6	18.7	1.9	12.7	44.9
Education	---	---	---	---	2.5	63.2	11.0	7.1	4.3	
Health and social work	---	---	---	---	2.4	83.1	4.3	36.4	2.5	85.0
Other community / social services	4.5	60.2	42.8	72.4	1.3	85.4	2.0	60.0	2.7	85.0
Households with Employed persons	9.1	87.9			6.4	100.0	9.8	99.6	13.1	94.8

Table 44: Total and foreign employment by economic sector in the Gulf, *continued*

	Bahrain[2]		Kuwait		Qatar		Saudi Arabia		UAE[3]	
Economic sector	% of total employment	% foreign workers	% of total employment	% foreign workers	% of total employment	% foreign workers	% of total employment	% foreign workers	% of total employment	% foreign workers
Other community activity	1.8	60.0	17.1	90.5	0.2	98.5	0.1	85.6	0.1	85.0
	100.0	---	100.0	---	100.0	---	100.0	---	100.0	----
Total employment (000s)	382.3	306.6	2,093.2	1,741.7	1,262.3	1,191.4	8,017.3	4,260.6	3,043.0	2,588.0
% foreign workers (all sectors)		80.2		83.2		94.4		53.1		85.0

Notes: 1. 2008 data for Bahrain and Saudi Arabia, 2. Data for Bahrain are incomplete, since total employment for 2008 is recorded elsewhere as 467.000, 3. No actual data supplied by the UAE, only % by sector; % foreign workers calculated by imputation
Source: Baldwin-Edwards (2011: 23)

The composition of migrant workers in the Gulf region poses important characteristics. Historically, the Gulf region has been a main destination region for Arab migrant workers. As the economic crisis in the early 1970s unfolded, and European countries started to put restrictions on immigration, migration flows out of the Arab countries changed from Europe to the Gulf countries (Choucri 1983, Kapiszewski 2006). Coinciding with the upsurge in oil prices leading to increased investment programs in the early 1970s, Gulf countries became a destination for migrant workers from Yemen, Egypt, Palestine, Iraq, Syria and Sudan. This process was initially welcomed, as the linguistic, cultural and religious similarities made them more attractive for the Gulf countries. But this has changed quickly. The share of Arabs in the migrant population decreased from 72% in 1975 to 31% in 1996 (Table 45), whereas the share of Asian migrants steadily increased (ILO 2009a: 3; Birks, Seccome and Sinclair 1988; Roper and Barria 2014: 33; Shah 2004a: 97; UN ESCWA 2007: 4-5).

Table 45: Share of Arabs in the foreign population, 1975-1996 (%)

	1975	1985	1996
Bahrain	22	15	12
Kuwait	80	69	33
Oman	16	16	11
Qatar	33	33	21
Saudi Arabia	91	79	30
UAE	26	19	10
Gulf, total	72	56	31

Source: Kapiszewski (2006: 9)

As for 2005, the number of migrant workers from Asian countries had clearly exceeded those of Arab migrant workers. For instance, in 2005 migrant workers from Asia accountted for almost 60% and 90% of the labour force in Saudi Arabia and in the UAE, respecttively. Other Gulf countries were no exception in this regard (Table 46). In its 2008 report the IOM (2008: 475) also noted that Arabs now constituted only a minority within the migrant population in the Gulf countries, whereas the number migrants from Asia steadily increased and accounted for 74% of non-nationals residing in the Gulf region.

As a result of this shift, countries such as India, Pakistan, Bangladesh, Philippines, Sri Lanka and Nepal turned out to be the most important source countries (ILO 2014; ILO 2009a; Shah 2013; UN ESCWA 2007).[254] India, and especially the Indian state of Kerala,

254 De Bel-Air (2014: 9) notes that in 2013 more than 75% of migrant workers in Qatar were from these countries. Since the mid-2000s there is also an increasing trend of Chinese migrant workers heading to the Gulf region. In 2007 there were about 80,000 Chinese migrant workers in the UAE. But Ali Bin Abdullah Al Ka'abi, the then Minister of Labour, said at a meeting with his colleague from China that in the next two years the UAE will need more than 200,000 Chinese workers. He asked the Chinese Minister »to provide capable manpower in the fields of health, medicine, tourism, hospitality and construction« (Gulf News 06.11.2007).

Table 46: Total and proportions of Gulf labour forces by region of origin, 2005

	Total	% of labour force
Bahrain	**306,000**	**58.58**
Arab	38,000	12.42
Asian	245,000	80.07
Others	23,000	7.51
Kuwait	**1,302,000**	**81.70**
Arab	403,000	30.95
Asian	861,000	65.36
Others	48,000	3.69
Oman	**605,000**	**66.13**
Arab	34,000	5.61
Asian	559,000	92.40
Others	12,000	1.99
Qatar	**315,034**	**56.69**
Arab	126,013	40.07
Asian	144,915	45.64
Others	44,106	14.29
Saudi Arabia	**4,894,000**	**64.57**
Arab	1.527.000	31.2
Asian	2,902,000	59.3
Others	465,000	9.50
UAE	**2,738,000**	**82.26**
Arab	238,000	8.71
Asian	2,386,000	87.14
Others	114,000	4.15

Source: Baldwin-Edwards (2011: 25)

is one of the most important source countries for labour migration to the Gulf countries.[255] Although migration from India to the Gulf region does not constitute a new phenomenon, it has reached high numbers from the 1970s onward.[256] According to the Ministry of Overseas Indian Affairs (MOIA) there are approximately 6 million Indian migrants in West Asia, the majority of them being in the Gulf region (Kohli 2014). The IOM (2011: 68) notes that in 2009 approximately 97% of migrants from India migrated to Gulf countries.[257] Whereas the number of Indian migrants in the UAE and Saudi Arabia was around 2.2 million in 2000, it has further increased in the following years (Zachariah, Prakash and Rajan 2002;

255 Especially the Muslim population of the state of Kerala makes up the majority of migrants heading to the Gulf. The number of emigrants in Kerala increased from 1.36 million in 1998 to 2.28 million in 2011 (Zachariah and Rajan 2012: 18).

256 Kumar (2016), for instance, illustrates that Indian migration to the Gulf dates back to the 19th century and has further increased in the 1930s and later from the 1970s onward. He especially emphasises the role of Britain as a colonial power that enabled or initiated this process from the 19th century onward. See on this also Seccombe (1983) and Seccombe and Lawless (1986). For a general argument that the limitation of migration to the Gulf to the modern period from the 1970s onward is problematic see Davidson (2005: 12), who also emphasises that migration was observable in the region during different historical periods, especially during the expansion of the pearling industry.

257 Also, 97% of migrants from Pakistan and 87% of migrants from Sri Lanka migrated to the Gulf region (IOM 2011: 68).

Kohli 2014). According to UNDESA (2013a) there were around 5 million migrants from India in the UAE and Saudi Arabia in 2013. *Emirates 24/7* (2013) notes that in 2013 Indian workers in the UAE accounted for about 40% and those in Saudi Arabia for about 13% of the total overseas Indian workers. According to more recent data, the share of Indian migrant workers at the total migrant stock in the Gulf countries in 2013 was around 20% in Saudi Arabia, around 36% in Bahrain, Kuwait, Qatar and the UAE and almost 60% in Oman (Sasikumar and Thimothy 2015: 4).

Finally, the importance of the Gulf region in terms of international labour migration can also be illustrated by remittances sent by migrant workers to their home countries, which highlights the position of »the Gulf region [as] one of the top remitting regions in the world« (Naufal and Genc 2012: 2). According to data from the World Bank's Bilateral Remittance Matrix 2015, worldwide remittances ranged at more than 580 billion USD in 2015. Remittances sent from the Gulf region ranged at almost 105 billion USD, which means that remittances sent from the Gulf region accounted for 18% of total worldwide sent remittances (Table 47). Additionally, the UAE, Saudi Arabia and Kuwait were also among the top ten remittance sending countries in 2014 (World Bank 2016: 15).

Table 47: Remittances sent from the Gulf countries, 2015 (in billions USD)

Bahrain	2.58
Kuwait	11.83
Oman	4.24
Qatar	10.42
Saudi Arabia	45.74
UAE	30.17
GCC total	104.98
World total	581.64
Gulf's share at world total	18 %

Source: http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed 20.06.2016)

The main and largest receiving country of remittances from the Gulf region has been India, which was also the top remittance receiving country worldwide in 2014 and 2015 (Bellman 2014; The Economic Times 29.02.2016; World Bank 2016: 13).[258] Additionally, remittance flows from the UAE and Saudi Arabia to India were also among the top ten remittance corridors in 2015 (World Bank 2016: 17). More than 52%

258 India received 0.08 billion USD in remittances in 1970; 1.6 billion USD in 1979; 3.42 billion USD in 1991; 13 billion USD in 2000; 27 billion USD in 2007; and 52 billion USD in 2008. More recently, this amount has increased to almost 70 billion USD (Rajan, Varghese and Jayakumar 2010: 5; Weiner 1982: 4; Kohli 2014: 43).

of remittances sent to India came from the Gulf region.[259] Table 48 also illustrates that in the case of remittances sent from the Gulf region India constituted the single largest receiver of remittances in 2015.

Table 48: India's share at remittance outflows from the Gulf region, in billion USD, 2015

	Total remittances sent from the Gulf region	Remittances sent to India	India's share at remittances from the Gulf region (%)
Bahrain	2.58	1.25	48.6
Kuwait	11.83	4.57	38.6
Oman	4.24	3.04	71.6
Qatar	10.42	3.99	38.3
Saudi Arabia	45.74	10.51	23.0
UAE	30.17	12.57	41.7
Gulf, total	104.98	35.93	34.2

Source: http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed 20.06.2016)

In summary, the Middle East is an important region regarding international migration. The Gulf region in particular stands out as one of the most important regions for international labour migration. This is indicated by the numbers, as well as shares of migrants and migrant workers in the population and in the national labour force. Additionally, the illustration on remittances originating from the Gulf region equally demonstrate the importance of the region. Considering that the Gulf region has historically been an important site for international migration – and considering especially that the implementation of economic policies from the 1990s onward aimed at moving towards a market-oriented development has been heavily dependent on migrant labour (leading to the bulk of the newly emerging private sector employing migrant workers) – the centrality of international labour migration becomes more obvious. But how is international labour migration to the Gulf region regulated, and which kind of policies are the Gulf States adopting? This will be dealt with in more detail in the next section.

2. The regulation of labour migration in the Gulf sates

2.1. Legal framework of the kafala system

Labour migration in all Gulf States is regulated through the *kafala* system, which is structurally and functionally similar in all Gulf States. Migrant workers, officially called »temporary contractual workers«, can enter the country and work there only if they have a national sponsor who has to take legal and economic responsibility for them. In certain cases migrant workers are also not allowed to change their employers without the permission of their current employer. Whereas changes to regulations allowing migrant

259 See the Bilateral Remittance Matrix 2015 of the World Bank at http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed 20.06.2016).

workers to change their employer without permission have occurred in Oman (2006), Bahrain (2009) and also, to a limited extent, in the UAE (2011), in Qatar and Saudi Arabia migrant workers need the permission of their current employer to transfer their sponsorship, i.e. to work for another employer. Additionally, in Qatar and Saudi Arabia, migrant workers also need an exit permit from their employer if they want to leave the country (ILO 2009a; ITUC 2011a; Zahra 2014; Shah 2010; De Bel-Air 2014; Babar 2011; Baldwin-Edwards 2011; Hertog 2014; IOM, 2010, 2011; Amnesty International 2013a).

In the case of the UAE there are some central legal regulations regarding international labour migration, with particular regard to the entry, stay, work and exit of migrant workers.[260] The Federal Law No. 6 of 1973 regulates the entry and residence of foreigners, not only emphasising the need for a valid passport, travel documents and a visa to enter into the UAE (Art. 2), but also the conditions under which deportation could take place.[261]

First, every migrant worker needs a sponsor who may be either a citizen or a resident of the UAE to enter the country. This is especially specified in Art. 13 of the Ministerial Decree No. 360 of 1997.[262] Second, the right to work is also dependent upon having a sponsor. In fact, for every non-national »the right to live in the UAE is coupled with the right to work« (Adams and El Shunnar 2011).[263] This is also explicitly emphasised by the Minister of Labour, Saqr Ghobash, who notes that:

> »Kafala is an *admission policy* that controls the admission of and the granting of residency in the UAE to foreign nationals. It mandates that foreigners who seek gainful employment in the UAE should first secure an employment contract with a UAE national entity or person, for the most part a UAE-registered business entity, as a precondition for obtaining an entry visa and becoming eligible for lawful residency in the UAE« (cited in Almezel 2015; emphasis in original).

Third, it is equally regulated that after the expiration of the residence permit or the entry permission workers should leave the country within the specified period of time.[264] A foreigner having a valid residence permit may also be deported if s/he has no income, no means to earn a living »or if it is considered by the security authorities as required by public policy, security, or morals. The deportation order, which is issued by the Ministry of Interior, may include members of the foreigner's family who are supported by him« (Zahra 2015: 4).

In fact, deportation of migrants from the Gulf region is an important aspect of migration to the Gulf region. In the case of the Indian migrant workers, for instance, their actual deportation or »deportability« plays an important role and is a common practice in

260 The following description of the legal framework of entry, stay, work and exit of migrant workers draws on primary sources (e.g. laws, decrees, decisions) if they are available in English and on the work of Zahra (2015) regarding the legal framework of migration in the UAE.

261 The law can be accessed at http://gulfmigration.eu/uae-federal-law-no-6-of-1973-on-entry-and-residence-of-aliens-3/ (accessed 21.06.2016).

262 The law can be accessed at http://gulfmigration.eu/uae-ministerial-decision-no-360-of-1997-issuing-the-implementing-regulations-of-federal-law-no-6-of-1973-regarding-entry-and-residence-of-foreigners-2/ (accessed 21.06.2016).

263 According to Art. 13 of Federal Law No 8 of 1980 a non-UAE national can only work in the UAE after having a working permit and after the approval of the Labour Department at the Ministry of Labour.

264 Art. 21 and 29 of Federal Law No (13) for 1996 Concerning »Aliens Entry and Residence« amending some provisions of the Federal Law No (6) for 1973 relating to immigration and residence, http://www.refworld.org/docid/ 3fba168c4.html (accessed 21.06.2016).

the Gulf countries (Gardner 2010b; Heller 2015). Some report that between 2007 and 2010 more than 200,000 Indian workers have been deported from the Gulf countries (Heller 2015: 710). Data from the MOIA (2011) illustrates that in 2010/2011 almost 64,000 Indian migrant workers have been deported from the Gulf countries (Table 49).

Table 49: Deportation of overseas Indian workers, 2010/11

Saudi Arabia	47,843
Oman	14,650
UAE[1]	1,008
Kuwait	195
Bahrain[2]	-
Qatar[2]	-
Gulf countries, total	63,696
Other countries, total[3]	1,059

Notes: 1. The exact number of the deportees is not provided by the government of the UAE. 2. The governments of Bahrain and Qatar do not share information about deportees. 3. Includes Germany, UK, Turkmenistan, Lebanon, South Korea, Brunei, Singapore, Jordan, Seychelles
Source: Ministry of Overseas Indian Affairs (2011)

There are also examples of more recent deportations. In 2013, for instance, it was reported that 56,700 Indian migrant workers faced deportation from Saudi Arabia; between December 2012 and February 2013 almost 8,000 Indian migrant workers were deported during an amnesty period in the UAE; more recently, in 2016, Kuwait deported 1,700 Indian migrant workers (Gulf Times 23.05.2015; Heller 2015: 710; The Economic Times 05.06.2016). The reasons for deportations include illegal entry, overstaying visiting visa, working undocumented and participation in workers' protests and strikes. But there are also deportations related to the nationalisation of the labour force aimed at reducing the presence of migrant workers (Gulf Times 23.05.2015; Heller 2015; Migrant Rights 29.10.2014; MOIA 2011; Mothaparty 2015; The Economic Times 05.06.2016).

2.2. Temporary framework subordinating international labour mobility to capital

Two cases, one historical and one contemporary, are worth touching upon in the context of the *kafala* system.[265] The historical case relates to the above mentioned decrease of Arab migrant workers who were mainly replaced by migrant workers from Asia. The underlying reason for this shift in the composition of migrant workers has been that the Gulf States have increasingly become worried about Arab migrant workers bringing in and spreading political ideas opposing the political and economic structures of Gulf coun-

265 See on these two cases also Hanieh (2015a: 68-70).

tries throughout the 1950s, 1960s and 1970s. During this period there emerged leftist, secularist and anti-colonialist impulses which have »been largely erased from the official state histories of the region« (Hanieh, 2014: 74). These impulses culminated in the establishment of revolutionary political organisations[266] and resulted in several labour strikes which were led by Arab migrant workers. Importantly, many Arab migrant workers in the region were also sympathetic with the pan-Arab idea that the borders of the Middle East were artificial lines drawn by Western imperialists and should be eliminated and replaced by a single Arab nation where the wealth from natural resources is evenly distributed. As a result of this process, the reaction of the Gulf States in the 1970s and early 1980s has been that many Arab migrant workers were prosecuted, jailed and deported (AlShebabi 2015; Chalcraft 2010; Hanieh 2011; Kapiszewski 2006; Roper and Barria 2014; Thiolett 2011).[267]

The expulsion of Arab migrant workers was followed by bringing in predominantly Asian migrant workers. Gulf States expected that contrary to Arab migrant workers Asian migrant workers would be less politically interested in the regional political and economic structures and thus were »more likely to be passive observers of political processes than potential activists or claimants on social services or other benefits« (Choucri 1983; see also Kapiszewski 2006).[268] There were also important economic reasons behind this historical shift, as migrant workers from Asia turned out to be more »preferable in economic terms« (Kapiszewski 2004: 19; see also Khalaf and Alkobaisi 1999). First of all, they would expect working conditions that Arab migrant workers would refuse, they appeared to be »better disciplined and more productive« (Choucri 1983: 17; see also Kapiszewski 2006) and they were perceived as more »obedient and manageable« (Kapiszewski 2004: 19). Second, they were also, compared to Arab migrant workers and Gulf nationals, »less expensive to employ« as they would accept low wages (Kapiszewski 2004: 19; see also Baldwin-Edwards 2011). Third, they were also »easier to lay off« (Kapiszewski 2004: 19). Therefore, migrant workers from Asia were perceived as politically more »reliable« and economically »cheap«.

The second, contemporary case relates to the more recent events in the context of the economic crises in 2007/08. Many Gulf countries, especially the UAE, were also heavily affected by this economic downturn. As the stay and work of migrant workers is dependent upon the existence of their work in the region, this economic downturn had tremens-

266 The most popular ones being the Popular Front for the Liberation of Bahrain, the Popular Front for the Liberation of Oman, the People's Liberation Front of Saudi Arabia, the Revolutionary Najdi Party and the Popular Front for the Liberation of the Occupied Arab Gulf.

267 The numbers of Arab migrant workers further decreased in the wake of the first and second Gulf War in the early 1990s and early 2000s. During the Gulf War in 1990/91 around 2 million Arab migrant workers and their dependants (especially Palestinians, Yemenis and Iraqis) were deported from the region (Al Khouri 2004; AlShebabi 2015; Baldwin-Edwards 2011; Kapiszewski 2006). In the case of Kuwait Hanieh (2011: 64) notes that the number of Palestinians in Kuwait fell from 400,000 in 1990 to 50,000 by the mid-1990s. Later on, during the Gulf War of 2003, 1.5 million Iraqis and nationals of countries sympathetic to Iraq were expelled (Baldwin-Edwards 2011). Whereas the UAE expelled Lebanese migrants in 2009 because of accusations of sympathy with Hezbollah, since the outbreak of the »Arab Spring« in 2011 many migrants from countries affected by this event were also asked to leave the country and it became more difficult to hire migrant workers from these countries (De Bel Air 2015: 5; Jamal 2015: 607).

268 Additionally, they would and in fact did not bring their families with them to the Gulf countries as the Arab migrant workers commonly did (Kapiszewski 2006, 2004; Winckler 2012).

dous impacts on migrant workers. Thus, it was during this period that there were a range of reports of mass layoffs, deportations and return of migrant workers due to the economic crisis (Babar 2011: 27). Hanieh (2011: 177-178) notes that »The Indian consulate in the emirate reported in March 2009 that UAE construction companies had removed 20,000 workers through block-booking entire planes.« Indian officials estimated in July 2009 that up to 150,000 Indian workers from the Gulf had probably returned to India due to the crisis. The number of migrant workers from Bangladesh declined by 58% from January 2008 to May 2009 (Hanieh 2014: 85). Tong (2010) notes that before 2009 the share of unskilled workers in the labour force of the UAE was around 80% and that this share dropped to 72% after 2009. He further notes that the total number of contracts signed decreased from 512,709 in 2008 to 348,656 because many construction firms had stopped their projects. The IOM (2011: 76) reports that in 2010 several companies had to close and as a result many companies abandoned migrant workers who worked for them without giving them their pay or their passports. Some migrant workers thereby reported that they did not receive any payments for more than six months.[269] In this case the *kafala* system played a central role during the economic crisis as it allowed »Gulf capitalism to displace crisis« (Hanieh 2014: 87).

In both of the illustrated cases the *kafala* system proved to be an effective way of bringing in migrant workers easily, changing the composition of the migrant labour according to economic needs and »relocating« them if necessary (Hanieh 2011, 2014, 2015a).[270] What is especially important in the context of this study are two important characteristics of the *kafala* system in the Gulf region, including the UAE. First, the legal regulation strongly subordinates the international mobility of labour to the needs of capital. The entry, stay, work and exit of migrant workers is insofar heavily framed around the needs of the economy as a whole. Second, the *kafala* system as such explicitly emphasises the temporality of labour migration to the Gulf region. This is also indicated by the fact that migrant workers are called »temporary contractual workers« and are expected to leave the country as soon as they are not needed anymore. This is explicitly foreclosing any attempt to view the migrant workers in the Gulf region on the same level as migrant workers in

269 The economic downturn has also resulted in a drop of labour flows towards the Gulf countries. Based on official data from India Hanieh (2015a: 69) notes that »From 2008 to 2009, the outflow of Indian workers to the United Arab Emirates fell by 62.7 per cent, to Bahrain by 45 per cent and Qatar by 44 per cent […]. For Bangladesh, the number of workers travelling to Saudi Arabia and the UAE (the destinations of more than 60 per cent of all Bangladeshi overseas workers) fell by 89 per cent and 38 per cent respectively over 2008-2009.«

270 It should be in this context also noted that the presence of migrant labour in the Gulf region is also considered to ensure political stability. Davidson (2014: 271), for instance, argues that the presence of migrant workers also works to ensure political stability, because it, first, allows the Gulf States to ensure »to elevate their indigenous populations – the ›locals‹ – to a higher and carefully guarded social status above most expatriates, including those from more developed countries« and second, because »instead of presenting security threats or promoting subversive external ideas, these largely apolitical, labour migrant communities have usually formed silent constituencies that remain keen to preserve the status quo and their employment opportunities, even if they suffer from poor working conditions or apparent abuses.« Similarly, Khalaf (2015: 55) too argues that »migration has been an integral tool in the ruling families' strategy to maintain the stability of their regimes.« It has also to be noted that migrants also play central role in the security apparatus of some countries, especially in Bahrain and the UAE, in order to ensure the political stability of the region against internal and external threats (Abdulhameed 2015; Davidson 2014: 276-281).

some other parts of the world who as a result of their migrant status may have gained some political and social rights. Thus, the *kafala* system is explicitly aimed at preventing the permanent settlement and incorporation of migrant workers; at preventing family reunification and naturalisation; and at foreclosing socio-economic rights (Thiollet 2016). This fact is explicitly stated by the UAE government noting that »Workers hosted by the UAE and other [Gulf] countries cannot be considered migrant workers, as they work on a temporary basis and according to fix-term employment contracts [...]. Therefore, the immigration laws applicable in the Western countries cannot be applied to these workers« (cited in Modarres 2010: 11). This was also emphasised by the UAE Minister of Labour, Saqr Ghobash, at a meeting of the Global Forum on Migration and Development (GFMD) in 2009 where he said that »The UAE has a particular interest in models of migration that are [...] of a temporary or circular nature« (cited in UAE 2010: 163). Therefore, the »original intention« of the *kafala* system »that foreign workers could rapidly be imported in periods of economic prosperity and expelled during periods of recession« (Winckler 2012: 7) still builds an important part of the regulation of migration in the contemporary period.

It is thereby widely recognised that this legal framework enables access to a cheap, easily controllable and flexible stock of migrant workers and as such reflects the needs of locally operating businesses which are granted work visas liberally (Baldwin-Edwards 2011; Hertog 2014; Mahdavi 2012; Mednicoff 2012; Roper and Barria 2014; Vora 2010; Winckler 1997, 2012).

This feature of the *kafala* system – the easy access to cheap migrant labour – is also emphasised by many businesses and international economic organisations. In the UAE, for example, an Abu Dhabi based economist noted that the UAE's »cheap energy and labour present a golden opportunity to investors seeking high profits« (cited in Kawach 2003). In the World Investment Report 2004 the UAE (together with Qatar) was listed among the world's most attractive destinations for investments out of 140 countries whereby especially the UAE had top scores in different categories including »local work climate« (Srinivasan 2004). In the Global Competitiveness Report of the WEF (2014a: 375) for 2014/15 the UAE was even ranked as the third out of 144 countries for the »flexibility of wage determination«. Finally, the IMF (2005: 5) has explicitly noted in the case of the UAE that »Access to expatriate workers at internationally competitive wages has also contributed to the efficiency of the economy.«

More recently, Masood Ahmed, Director of the Middle East and Central Asia Department at the IMF, noted »that over many years the ready availability of expatriate labor has acted as a *safety valve* for the economy« (cited in Gulf Affairs, 2015: 50; emphasis added). Elbadawi and Vazquez-Alvarez (2011: 6) note in this context that »Large inflows of low-skill low-cost labor have facilitated the development of a cost-effective advanced infrastructures, it has laid down the foundations for an industrial base and has allowed the emergence of a competitive labor-intensive export sector. [...] [T]he migration strategy has contributed to generating rents for local and non-local entrepreneurs.« ITUC (2011a: 16) also emphasises that this system seems to be quite appropriate for the companies operating in the Gulf countries and notes that, when asked about the *kafala* system, authorities in the Gulf countries responded that the system is aimed at protecting the investments of employers, as they have incurred costs in bringing the workers into the country.

In summary, on the one hand the regulation of international labour migration through the *kafala* system specifically subordinates the international mobility of labour to the needs of capital and of the economy as whole and, on the other hand, emphasises the temporality of migrant labour. Therefore, the entry, stay, work and exit of migrant workers is heavily framed around this framework which suits the interests of capital and also ensures the political stability in the region. Yet, especially since the mid-2000s, the Gulf States had to face many international critics regarding the *kafala* system and also witnessed a range of protests by migrant workers which, as will be illustrated below in the case of the UAE, had an important impact on the regulation of migrant labour.

2.3. Facing pressures: From critique to change?

2.3.1. Working and living conditions of migrant workers

In fact, the Federal Law No. 8 of 1980 – the basic law regarding the regulation of labour issues in the UAE – contains a range of provisions regarding working and living conditions including working hours, rest times, remuneration for overtime, annual leave, sick leave, labour accidents, occupational health and safety regulations, and the transportation and accommodation conditions of workers. The law also foresees labour inspections in order ensure that the regulations stated in the law are abided by employers.[271] However, despite these regulations the strong dependency of migrant workers on employers and the legal configuration favouring employers more than the workers within the framework of the *kafala* system has led some scholars to argue that »the law is written to protect the employers rather than the migrant workers« (Mahdavi 2012: 98). Indeed, many reports on and testimonies from migrant workers and their living and working conditions illus-trate their precarious situation. One of the factors related to this precarious situation has its roots in the process of entry of the migrant workers into the UAE. Art. 2 of the UAE Federal Law No. 8 of 1980 states that:

> »The Arabic language is the one to be used in all records, contracts, files, statements and other documents as may be provided for in this Law or in any orders or regulations issued in implementation of the provisions hereof. The use of Arabic shall also be compulsory in instructions and circulares

271 The law can be accessed at: http://www.ilo.org/dyn/natlex/docs/ELECTRONIC/11956/69376/F417089305/ARE11956.pdf (accessed 17.06.2016). Note, however, that in the UAE according to Art. 3(c) domestic workers are excluded from the scope of the Federal Law No. 8 of 1980. In 2012, the UAE government approved a law regulating the »domestic worker industry« based on the ILO Conventions 189 and Recommendation 201 on Decent Work for Domestic Workers. The law which was passed to the FNC in early 2012 should came into force after the FNC has approved and the ruler has signed it (Salama 2012a). In 2015, Zahra (2015: 3) noted that although the FNC has approved the draft law to protect domestic workers' rights the law awaits the signature of the president. Changes to the regulation of domestic work in the other Gulf States occurred in Bahrain and Kuwait. Bahrain has partially extended its labour law to encompass also domestic workers. In March 2013 the Gulf as an organisation produced a draft law on domestic workers in order have a common law to regulate domestic work and to apply a unified labour contract. It was then at the end of 2014 that the Gulf States agreed on a unified labour contract defining the rights of domestic workers. Although there is still no Gulf wide regulation in this field Kuwait on its own adopted a law regarding domestic work which was seen by many human rights organisations as a breakthrough as the law includes rights such as a weekly day-off, an annual paid leave of 30 days, a 12 hour working day with rest and an end-of service benefit (Gulf Affairs 2015: 59-60).

issued by the employer to his employees. If a foreign language besides the Arabic language is used, the Arabic language shall prevail over other texts.«

This legal provision has, in many cases, led to the fact that the initially signed non-Arabic labour contracts differ from the legally relevant Arabic written ones which many migrant workers cannot understand and which contain less favourable provisions regarding wages and working conditions. A migrant worker in the UAE notes on this:

»A lot come here as economic migrants and they get themselves into debt before they come, so the race is on to try and get their money back, but of course, when they get here, they're often victims of unscrupulous agencies that change the contracts … they promise them ›x‹ amount of money, and as soon as they land, they're offered an Arabic contract they sign, sometimes willingly, sometimes unwillingly, which changes the whole context in which they thought were coming to. And I've seen some very bad abuses of that« (cited in Cordeaux 2014: 42).

Moreover, there are many cases where the salaries are not paid or paid with a delay and where employers withhold the passports of migrant workers, increasing their dependency on them (Amnesty International 2013a, b; Chalcraft 2010; Gardner 2010a, 2012; ITUC 2011a; Molavi 2007; Mahdavi 2012; Shah 2010).[272]

Additionally, migrant workers usually also face bad living conditions. They are often quartered in labour camps outside of the cities and live in squalid, overcrowded accommodations with poor electricity supply and bad hygienic conditions (Amnesty lnternational 2013b; Gardner 2010a; ITUC 2011a; Modarres 2010). Cordeaux (2014: 43) notes that in 2008 »public health authorities in Dubai found that 40 percent of the emirate's 1,033 labour camps violated minimum health and fire safety standards«. The largest labour camp in the UAE (Dubai) is Sonapur which, despite its meaning (»city of gold«), lies between a waste dump and a cemetery (ITUC 2011a).

This situation regarding working and living conditions has been widely criticised. The IOM (2012: 21), for instance, specifically refers to the UAE (and Qatar) and mentions the denial of salary and overtime allowances, the undertaking of risky work, the lack of rest and vacation days, poor or no compensation, ill treatment, physical torture, denial of medical help, and reduction of benefits such as home leave, accommodation and air fare. Frank Hagemann, Deputy Regional Director for Arab States at the ILO, noted that »the way labor migration is being governed has unfortunately resulted in widespread abuse of foreign workers, including situations akin to forced labor« (cited in Gulf Affairs 2015: 52). The UN Commissioner for Human Rights also criticized the *kafala* system as it makes workers highly dependent on their employers and urged all of the Gulf States to replace this system »with updated labour laws that can better balance rights and duties« (cited in Salem 2010a).

In its report on the UAE the ITUC (2011a) points to the increased construction projects especially in the emirates of Dubai and Abu Dhabi. In the latter emirate, for instance, migrant workers from 18 nationalities worked at the development and construction of the Saadiyat Island, planned to host 145,000 residents and to harbor major outposts of the Guggenheim and Louvre museums, a state-of-the-art-performing arts centre, lavish hotels and leisure facilities. Major construction projects also took place in Dubai where it

272 According to a study conducted in Qatar, 90% of the migrant workers said that they were not in possession of their passports (Migrant Rights 09.11.2015).

was estimated that 30,000 cranes, almost a quarter of world's total, were in use in 2006. But ITUC (2011a: 19) notes that the safety of workers at the constructions sites is not granted and that there are several health problems caused by heat and dehydration. And regarding labour inspections the report notes that in 2008 there were 6,000 buildings (construction sites) alone in Dubai but only 16 inspectors.

2.3.2. Limited rights of migrant workers to organise

In addition to the working and living conditions described above, in almost all Gulf States there are also restrictive regulations forbidding migrant workers to organise themselves because the right to establish trade unions and the right regarding the freedom of association is either non-existent or limited to national workers (Gulf Affairs 2015: 54). With the exception of Kuwait none of the Gulf States have ratified the ILO Convention on Freedom of Association and Protection of the Right to Organise (Convention 87) or the ILO Convention on the Right to Organise and Collective Bargaining (Convention 98).[273] In Kuwait trade unions are allowed to be established, but only by nationals (ITUC 2011b). In addition to Kuwait, in some other Gulf States trade unions are also allowed. In Bahrain, for instance, the Workers Trade Union Law, which came into force in September 2002, permits private sector workers to form and join unions and allows the establishment of the General Federation of Bahrain Trade Unions. In October 2011, King Hamad of Bahrain issued another decree amending this law to allow the establishment of more than one trade union in a company and more than one trade union federation. In Oman, the Ministerial Decision 294/2006 issued in November 2006 authorises workers to form unions independent of the government and permits collective bargaining (Gulf Affairs, 2015: 58-59).

However, there are strict limits on the participation of migrant workers (Amnesty International 2013b; Hertog 2014; ILO 2014; ITUC 2011a).[274] In Bahrain and Oman, for instance, migrant workers have the right to join trade unions. But they »tend not to get involved in trade unions' activities as they have no protection against dismissal« (ITUC 2007: 3; see also ITUC 2008). In Kuwait, migrant workers are allowed to join a trade union, but are not allowed to elect officers or to be elected. Migrant workers additionally »need a certificate of good conduct and moral standing« (ITUC 2011b). Although strikes are legally allowed, there are several imposed restrictions including the notification of the employer and the Ministry of Labour at least two weeks (Bahrain) or three weeks (Oman) beforehand.[275] In Kuwait the declaration of a strike is dependent upon the permission of the Ministry of Interior (ITUC 2007, 2008, 2011b).

The situation in Qatar and Saudi Arabia is even more restrictive. In Qatar »workers committees« are allowed to be established in companies with a Qatari labour force of at

273 For the list of countries which have signed these two conventions see http://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312232 and http://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312243 (accessed 25.06.2016).

274 Note also that none of the Gulf States has signed the ILO Conventions on Migration for Employment (C 97) and the ILO Convention on Migrant Workers (C 143). See http://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312242 and http://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312288 (accessed 27.06.2016).

275 See also http://survey.ituc-csi.org/Oman.html?edition=336&lang=en#tabs-2 (accessed 11.04.2015).

least 100 hundred people, how-ever migrant workers are not allowed to join them. Although the government announced that the formation of trade unions will be allowed nothing has happened to date. Strikes are legally allowed but with the condition that they have been approved by the Ministry of Labour and that they take place after two weeks of notice. Strikes in industries considered as strategic, e.g. gas, petroleum, power, water and transport industries, are not allowed. In Saudi Arabia, »workers committees« can be established in large enterprises but they do not have a collective bargaining mandate and migrant workers are not allowed to join them. Other workers' associations and trade unions are prohibited by law and strikes are not allowed (Amnesty International 2013b; ITUC 2011a, 2012a; Dorsey 2012; Hertog 2014; Human Rights Watch 2012; Zahra 2014; Bossdorf et al. 2013).

In the UAE trade unions and strikes are not allowed.[276] Federal Law No. 8 of 1980 prohibits labour unions (HSBC and PwC 2012: 33).[277] Instead, the law (Art. 155-158) explicitly states that labour disputes should be resolved between the worker and the employer, and if a settlement cannot be reached a complaint should be submitted to the Labour Department within the Ministry of Labour. The law gives employers in the private sector the right to suspend strikes (ITUC 2012b). Additionally, »workers who have been absent from work without a valid reason can be deported« (ITUC 2011a: 17), whereby »participating in a strike does not count as a valid reason for not showing up at work« (ITUC 2012b: 3). In fact, in 2004 the ILO noted that the UAE government had declared that it would amend its Labour Law in order to allow the formation of workers' organisations and that a technical committee was actively following up on this matter.[278] In 2004, the UAE cabinet approved a proposal allowing the formation of trade unions and the government announced that the establishment of trade unions would be, based on this proposal, allowed (Salama 2004a, b). In 2005, Dr. Khalid Al Khazraji, the then under-secretary at the Ministry of Labour and Social Affairs, even said that the UAE would have trade unions »very soon« (cited in Keane and McGeehan 2008: 94). Although similar statements were also made in 2006[279] trade unions are still banned in the country. In addition to these above described limitations for migrant workers to organise, Babar (2011: 27) also notes that in the Gulf countries »there is a near absence of any social groups organized around migration issues«.

2.3.3. Increased protests and strikes: Migrant workers as a social force

However, it has to be noted that despite the limited rights of migrant workers to organise and their limited possibilities to take legal action in order to improve their living and working conditions, the period from the mid-2000s onward increasingly witnessed a range of protests and spontaneous strikes by migrant workers (Allers and Russeau 2008; Chalcraft 2010; Mednicoff 2012; Modarres, 2010). Kapiszewski (2006: 11-12), for instance, notes that in 2005:

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276 See Ministerial Resolution No. 307 of 2003, especially Art. 3 and Art. 14; http://www.mol.gov.ae/newcontrolpanel2010/Attachments/09012014/labour%20disputes%2012.pdf (accessed 08.07.2016). See also http://www.ilo.org/beirut/countries/united-arab-emirates/lang--en/index.htm (accessed 11.07.2016).

277 See also http://www.state.gov/e/eb/rls/othr/ics/2015/241783.htm (accessed 03.06.2016)

278 See http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcms_421678.pdf

279 See http://www.uaeinteract.com/docs/Trade_unions_set_to_be_legalised/19972.htm (accessed 11.04.2015).

»the low-paid Asian workers [...] staged protests, some of them violent, in Kuwait, Bahrain, and Qatar for not receiving salaries on time. In March 2006, hundreds of mostly south Asian constructing workers stopped work and went on a rampage in Dubai, UAE, to protest their harsh working conditions, low or delayed pay, and the general lack of rights.«

The UAE was thereby one of the Gulf countries facing the most protests and strikes.[280] The Middle East Monitor: The Gulf (MEMTG 2006: 5) noted in 2006 that »labour unrest is becoming a growing problem in the UAE. Violent riots have been erupting almost on a daily basis, with demands for better wages, improved living conditions, and payment of salaries as some employers fail to pay their workers anything at all.« In March 2006 about 2,500 migrant workers employed at the construction site of the Burj Dubai[281] initiated a protest on bad working conditions, low or delayed payments and the general lack of rights. In 2007 about 1,500 migrant workers went on a strike in the labour camps of Sagaa demanding better working and living conditions. In 2008, there were similar protests and strikes at other construction sites and at the JAFZ (Kapiszewski 2006: 12; McCarthy 2006; Modarres 2010: 10; Whitaker 2006; Allers and Russeau 2008; Khaleej Times 19.03.2008; Oxford Business Group 2008: 22). Asked on the increase in strikes in the country during this period a worker in Dubai said: »Yeah there are strikes all the time! It just doesn't make the news« (cited in Allers and Russeau 2008).

One of the most known strikes took place at the firm Arabtec, which is one of the largest construction firms in the UAE and employs more than 40,000 workers. In July 2006, for instance, around 3,000 workers smashed cars and water tankers at Arabtec alleging that water supplies to their camp had been delayed. In 2007, migrant workers of Arabtec demanded higher salaries and went on a strike that lasted ten days (MEMTG 2006: 5; Kannan 2013a). This »high-profile protest« (MEMTG 2008: 6) was followed by other protests in early 2011. About 3,000 migrant workers went at that time on a strike demanding higher salaries. The official authorities cracked down the strike and arrested 70 Bangladeshi workers who were accused of initiating the strike. The director general of Dubai polices stated that they »intend to deport the workers whose involvement is proven. We cannot keep people here who create disorder. Their presence in the country is dangerous and therefore we need to take action against them« (cited in ITUC 2011a: 3). According to Bangladeshi authorities the arrested Bangladeshi workers were then deported from Dubai (ITUC 2011a: 3; ITUC 2012b: 3; Kannan 2013a). Another strike at Arabtec took place in May 2013 as thousands of migrant workers demanded higher wages and stopped working for four days by staying at their labour camp (Kannan 2013a, 2014). It was only at the end of 2013 that Arabtec raised the wages of workers by an average of 20%. However, the company explicitly emphasised that the raise was not due to the strike but because »the workers are the backbone of Arabtec« (cited in The National 30.09.2013). It is however indicative that the increase

280 Official numbers and information on strikes and protests by migrant workers are usually not available. In a more recent official report of the UAE the number of labour strikes in the emirate of Dubai fell from 45 in 2012 to 34 in 2013 (Kannan 2014). However, more detailed information on these strikes as well as figures for the other emirates are not available.

281 Which was renamed to Burj Khalifa at its opening in January 2010 (Modarres 2010: 10). This renaming has been attributed to the financial assistance of the emirate Abu Dhabi and its leader Sheikh Khalifa bin Zayed (who is simultaneously the president of the UAE) to help Dubai to overcome the negative effects of the 2008 economic crisis (Davidson 2011b: 22).

in wages occurred after workers accused of initiating the strike have been deported (The National 30.09.2013).

Deportation seems indeed to be the common reaction of authorities towards protests and strikes by migrant workers. In 2007, for example, about 4,000 migrant workers from Asia had initiated a strike demanding higher wages and better working conditions, for which they were deported. In some cases, these deportations were represented as the will of migrant workers. The statement of UAE officials on the aforementioned strike, for instance, was: »The laborers do not want to work and we will not force them to.«[282] In the case of the strike at Arabtec in May 2013 a representative of the Dubai Police noted on the deportation of 460 workers: »We haven't forced anyone to go back. They said they didn't want to work and we are helping them return« (cited in Kannan 2013b; see also Al Jazeera 23.05.2013).

Similar strikes and protests took also place in the other Gulf countries. In Saudi Arabia, for example, throughout 2010 several workers from construction as well as services sectors went on strike to protest the non-payment of their salaries or to demand improvements in their wages and working and living conditions (ITUC 2012a: 3). A major strike took place in 2013 as 6,000 cleaners stayed away from work for five days and demanded the payment of delayed wages and the renewal of their residencies.[283] The attempt of Saudi Arabia to reduce the number of migrant workers through the *Nitaqat* programme in particular resulted in wide-range and often violent protests by migrant workers. The implementation of this programme resulted in the departure of 1.4 million migrant workers from Saudi Arabia (World Bank 2015: 20).[284] This led to many protest by migrant workers. It was reported that »In some cases pitched street battles took place between ›illegal expatriates‹, security forces, and vigilante citizens« (Davidson 2014: 283-284). More recently, there were also many, sometimes violent, protests by migrant workers (Gulf News 05.01.2016; Toumi 2016b).

From the mid-2000s onward strikes and protests by migrant workers also took place in Bahrain (Halligan 2014a)[285] and in a relatively smaller scale in Kuwait (ITUC 2011b: 3)[286] and Qatar.[287] Like in the UAE, arrest and deportation of migrant workers (or the threat thereof) were the common responses of official authorities in Saudi Arabia (ITUC

282 http://www.migrant-rights.org/2007/10/is-deportation-the-answer/ (accessed 13.04.2015).

283 http://www.migrant-rights.org/2014/10/labor-strikes-in-the-gcc-deportations-and-victories-in-2014/ (accessed 13.04.2015).

284 Davidson (2014: 283) reports that, in addition to those who already left the country, the Indian Embassy issued 90,000 emergency exit visas to its nationals in Saudi Arabia in 2013; that Pakistan repatriated 50,000 of its nationals at the end of 2013; that 300,000 Egyptians left Saudi Arabia in the summer of 2013; and that »expulsions to Yemen are thought to have taken place at a rate of about 2000 per day, with a total of 210000 expected to return.«

285 See also http://www.migrant-rights.org/2008/02/1300-migrant-workers-strike-in-bahrain-over-pay/; http://www.migrant-rights.org/2014/10/labor-strikes-in-the-gcc-deportations-and-victories-in-2014/ (accessed 13.04.2015).

286 Facing increased protests and strikes in 2010 and 2011 the Kuwaiti Justice Minister Ahmed Al Mulaifi even stated »that strikes are prohibited and that international conventions which guarantee workers' rights are not applicable to him« (ITUC 2011b: 4).

287 See http://www.migrant-rights.org/2010/09/nepali-workers-deported-from-qatar-for-daring-to-strike/ and http://www.ituc-csi.org/qatar-arrests-100-striking-workers (accessed 13.04.2015).

2012a: 3), Bahrain (Halligan 2014a),[288] and Qatar.[289]

One main characteristic of the more recent migrant protests and strikes throughout the Gulf region has been, however, that they focused on »only economic-corporate demands« (Chalcraft 2010: 29). Migrant workers' protests and strikes were thus mainly around employment and wage issues (Babar 2011: 19). They primarily demanded the payment of delayed wages, increases in their wages and better working and living conditions. More comprehensive demands encompassing social and political rights as well as citizenship claims have been absent. Therefore, the more recent actions of migrant workers strongly differ from protests and strikes in the 1950s and 1960s because these protests and strikes »have not been identified with the larger politics of any rising alternative hegemony. They have ceased, therefore, for the time being, to be part of any broad-based political challenge to ruling families of the GCC« (Chalcraft 2010: 29). Andrew Gardner, an anthropologist who has worked for long years on migrant workers in the region comes to a similar conclusion and states:

> »I don't see grassroots work amongst migrants leading to much practical or political change in the region. In general, the region's migration system is really structured to prevent these sorts of results, and while I know that fear of some sort of revolutionary uprising looms large in the minds of some citizens and host states, I don't see this anxiety grounded in any sort of reality. No migrant I've ever spoken with desires anything except to work and get paid.«[290]

Interestingly, however, the period following the increased international pressures and following the increase in protests and strikes by migrant workers is characterised by a range of reforms related to working and living conditions of migrant workers. This is also emphasised by De Bel-Air (2015a: 5) who notes that »the call by various international human rights organizations as well as sending countries for the protection of migrants' rights, especially after several demonstrations by Asian workers claiming appalling work and salary conditions on construction sites in the mid-2000s, has led to the introduction of a number of new measures.« It is therefore important to look at the scope and the result of these changes in some more detail.

2.3.4. Scope and results of changes

In fact, already during the above mentioned strike at Arabtec in 2007 the then Minister of Labour in the UAE, Dr Ali bin Abdullah al-Kaabi, said that the UAE »is committed to improving labour relations and utilising social partnerships« (cited in MEMTG 2008: 6). He also mentioned that the government was deliberating on a proposal for fixed minimum wages for low-skilled workers and that a report was being prepared regarding this idea. Additionally, he noted that the UAE was setting up standards for worker accommodations for all industry sectors to be implemented in the whole UAE (MEMTG 2008: 6). It was often officially declared that the UAE government and especially the Ministry of Labour wants to improve the rights of migrant workers and that the Ministry of Labour

288 See also http://www.migrant-rights.org/2014/10/labor-strikes-in-the-gcc-deportations-and-victories-in-2014/ (accessed 13.04.2015).

289 See http://www.migrant-rights.org/2010/09/nepali-workers-deported-from-qatar-for-daring-to-strike/ and http://www.ituc-csi.org/qatar-arrests-100-striking-workers (accessed 13.04.2015).

290 See http://www.migrant-rights.org/2010/09/nepali-workers-deported-from-qatar-for-daring-to-strike/ and http://www.ituc-csi.org/qatar-arrests-100-striking-workers (accessed 13.04.2015).

has taken important steps regarding working conditions and workers' rights (Sater 2014: 298-299; UAE 2009: 212-213; UAE 2010: 170).[291] Between January and April 2009 the Ministry of Labour, in cooperation with the ILO's Regional Office for the Arab States and the UN Regional Office of the High Commissioner on Human Rights, also organised a series of events to qualify the labour inspectors and other government inspectors to address human rights and to raise awareness on labour and human rights (UAE 2010: 163).

Within the framework of the ILO a joint project was also initiated to enhance labour inspections to monitor working conditions, »to develop dispute prevention and resolution mechanisms, and improve access to justice for migrant workers« (Frank Hagemann, Deputy Regional Director for Arab States at the ILO, , cited in Gulf Affairs 2015: 52)[292] Additionally, at the GFMD in Athens in November 2009 the UAE acknowledged the contribution that contractual workers make to its economy and reiterated its commitment to protecting their rights and empowering them to fully benefit from their residency in the country« (UAE 2010: 163).[293]

But especially, three important legal changes deserve some close attention. The first legal change was that the UAE government introduced a new system regarding the payment of wages to the workers with the Ministerial Decision No. 788 of 2009 Regarding the Protection of Wages.[294] According to the new regulation all businesses have to transfer the wages of their workers to banks and financial institutions within the country using the Wage Protection System (WPS) (Art. 2). If they fail to comply with this regulation the Ministerial Decision foresees that all new works permits of the company will be suspended until the wages have been transferred (Art. 4) (see also UAE 2010: 163-164).[295] Saqr Gobash, the Minister of Labour said on this occasion that »UAE businesses will now adhere to timely wage payments at the exact amounts agreed with employees« (cited in Absal 2009). It was reported that about 3.5 million out of the 4.6 million migrant workers registered at the Ministry of Labour were benefiting from the WPS.[296] This step of the UAE was also positively referred to by the ILO, stating that »The WPS allows for

291 For a review of legal changes which the UAE has introduced until 2007 see UAE Ministry of Labour (2007). In 2007 it was also reported that there was an amnesty granted to 176,000 undocumented migrant workers to legalise their status in the UAE (UAE 2008: 221).

292 In 2014, the Minister of Labour also announced that they have »launched a special, remote-controlled smart drone to support the inspection squad at the ministry during their field campaigns, especially for recording violations at construction sites during the midday break period. He stressed that the drone enjoys innovative mechanisms that increase efficiency rates of the inspectors, as it's considered an additional measure that serves in field operations to control and regulate the labour market« (Khaleej Times 13.10.2014).

293 In the Emirate of Dubai a new facility was established at the Dubai Police to monitor human trafficking, which also had a mandate to address workers' complaints. It is reported that between February and October 2009 there were 344 complaints from workers calling on the hotline service. Additionally, about 1,100 labour accommodation sites were inspected »of which 277 were re-inspected after falling short of the basic regulations« (UAE 2010: 163).

294 The Decision can be accessed at http://gulfmigration.eu/uae-ministerial-decision-no-788-of-2009-regarding-the-protection-of-wages/ (accessed 21.06.2016).

295 In fact, already in 2007 a Cabinet decision proposed the introduction of an electronic wage payment system. It was, however, reported that »businesses cited practical difficulties such as unwillingness of some banks to open accounts for low-income workers. The system was thus on hold until the Central Bank supported MOL to reach a solution in the form of WPS« (Absal 2009).

296 http://www.ilo.org/dyn/migpractice/migmain.showPractice?p_lang=en&p_practice_id=186 (accessed 24.06.2016).

transparency in salary payment to workers including foreign workers, and thus addresses the issue of non or delayed payment of salaries.«[297] The ILO further noted that:

> »The WPS by the UAE was the first of its kind in the Arab world and reflects the UAE's pioneering role in the region to address conditions of work of foreign workers. An overview of the system was well received during the 3rd ministerial meeting of the Abu Dhabi Dialogue and some other GCC countries are in the process of emulating the system.«[298]

The second important change occurred in 2011 as the UAE government introduced changes to the transfer of the sponsorship, i.e. the possibility of workers to change their employers. Until this change in 2011 there were two options to change the current employer. The first option was that the worker had worked for his employer for at least one year and had received the consent of his employer to transfer its sponsorship. The second option was that after the cancellation of the workers' work permit he would get a six-month ban to work in the country which, however, could be lifted if the former employer issued a no-objection certificate (NOC), or if the worker paid a fee to lift the six-month ban (Adams and El Shunna 2011; see also HSBC and PwC 2012). The important point is that »Employers were under no legal duty to provide an NOC. The NOC could, therefore, be used as a tool by an unscrupulous employer, either to force an employee to accept a lower end of service settlement, or simply to limit the employee's chances of taking up alternative employment elsewhere« (Adams and El Shunna 2011).

With Cabinet Resolution No. 25 of 2010, and the implementation of Ministerial Decision No. 1186 of 2010, the UAE government allowed for more flexibility for the transfer of sponsorship.[299] Thus, according to the new regulation, which should »improve the labour market and limit any wrong practices« (Saqr Ghobash, UAE Minister of Labour, cited in Salem 2010a), migrant workers would not need a NOC of the former employer and would not be subject to a six-month ban. They could cancel their existing work permit and apply for a new one sponsored by his new employer. The precondition is, however, that the employment contract must be terminated in consensus between the worker and employer and that the worker has worked for two continuous years with his previous employer (Art. 2). According to Art. 3 the worker can also get a new permit from the Ministry of Labour if the employer has violated his obligations and if the worker is not responsible for the termination of the relationship.

This legal change has been strongly criticised by employers. Salem (2010b) reports from a meeting at a seminar at the Ministry of Labour, which was attended by many hundreds of private company owners, senior staff and managers, who expressed their concern that with the new regulation they will lose their workers. A representative of an Abu Dhabi company said that »After this news came out, our employees started threatening that they can leave

297 http://www.ilo.org/dyn/migpractice/migmain.showPractice?p_lang=en&p_practice_id=186 (accessed 24.06.2016).

298 http://www.ilo.org/dyn/migpractice/migmain.showPractice?p_lang=en&p_practice_id=186 (accessed 24.06.2016). Saudi Arabia introduced a WPS in 2013 covering many phases for full implementation. In early 2015 it was reported that Qatar also aims to introduce a WPS. It was, however, reported by Migrant Rights that »Currently, there are no ATMs in areas where low-income migrants are housed. Public transportation continues to be scarce, and the workers are unwelcome in the glitzier parts of the Doha, further restricting workers' access to their money« (Migrant Rights 26.02.2015).

299 The Ministerial Decision No. 1186 of 2010 can be accessed at http://www.mol.gov.ae/newcontrolpanel2010/Attachments/09012014/labour%20disputes%2012.pdf (accessed 08.07.2016).

as soon as their contracts are finished and not worry about the six-month ban. We used to have control over them, and we knew it wasn't easy from them to go, now we will lose this control« (cited in Salem 2010b).[300]

More recently, the WTO (2016a: 31) has noted that the UAE government has plans for further reforms in this area, which should be implemented in 2016 and would include the creation of a new system

> »under which workers' contracts will be lodged with the labour ministry rather than with employers. The new provisions will allow foreign workers to terminate their contracts and change employer. The new system will also stop so-called »substitution‹, under which foreign workers sign one contract before they leave their home country and are compelled to renegotiate wages when they arrive in the UAE.«

A third set of changes occurred in September 2015 as the UAE government released three new decrees: on standardised contracts, on the termination of a contract, and on getting new work permits (Bedirian 2015). The first decree on standardised contracts, the Ministerial Decree of 764 of 2015,[301] states that employers have to use a standard contract introduced by the Ministry of Labour and that they are not allowed to add new provisions unless they are approved by the Ministry of Labour. Thus, Art. 1 of the Decree explicitly states that »Tentative approval to admit a foreign worker for the purpose of employment in the UAE cannot be granted until an employment offer that conforms with the Standard Employment Contract is presented to and duly signed by the worker.«

The second decree on the termination of a contract, Ministerial Decree 765 of 2015,[302] regulates under which conditions a contract can be terminated: If the contract expires and is not renewed and if there is a mutual consent between the worker and his employer to terminate the contract. But each party can also individually terminate the contract if the other party has been notified about the termination no less then one month before and if the contractual obligations are upheld during this one month. Additionally, the decree also foresees to »Indemnify the other party to the level that was agreed by both parties, not to exceed the equivalent of three month of gross wages« (Art. 1, I).

The third decree on getting new work permits, the Ministerial Decree 766 of 2015,[303] foresees that the worker can get a new permit if the term of contract is expired or not renewed; if both sides (worker, employer) agree to terminate the contract; and if each side individually decides not to renew the contract. Importantly, the worker can also get a new permit if »It is determined that the employer has failed to meet his legal or contractual obligations, including but not limited to when the employer fails to pay the worker's wages

300 The new regulation also stated that after two years of work employers should pay an end-of-service payment to their workers. Previously the limit for this was three years of work. This drop in one year has been also a concern for employers. A manager at an airline said regarding this change: »This is really bad news, this means we will have to pay our employees their end of service payments at the end of their contracts after two years. We didn't have to pay much before because they always left before the three years. This means we will lose a lot« (cited in Salem 2010b).

301 The decree can be accessed at: http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=101785 (accessed 17.06.2016).

302 The decree can be accessed at: http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=101784&p_count=100044&p_classification=08&p_classcount=6433 (accessed 17.06.2016).

303 The decree can be accessed at: http://www.ilo.org/dyn/natlex/docs/ELECTRONIC/101783/122810/F695573065/Ministerial%20Decree%20(766)%20of%202015%20on%20Rules%20and%20Con.pdf (accessed 17.06.2016).

for more than 60 days« (Art. 1, III-1). The decree also foresees that a worker can also get a new working permit if his employer terminated the contract without any reason and if the worker has completed six months of work.[304] Humaid bin Deemas Al Suwaidi, Assistant Undersecretary for Labour Affairs at the Ministry of Labour said regarding this that this »allows for a high degree of flexibility in the transfer of workers between establishments in accordance with conditions and controls that simultaneously guarantee the rights of both employers and workers« (cited in Invest 2016b: 11). The Minister of Labour, Saqr Ghobash, thereby emphasised that these three decrees together:

> »are intended to build on the 2011 decree on mobility by seeking to further consolidate the contractual nature of labour relations, close certain gaps pertaining to the enforcement and monitoring of labour relations, and provide for increased labour mobility in accordance with the provisions of our labour law. They are concurrent and inter-related« (cited in Almezel 2015).

He further specified the interrelated nature of these decrees by pointing to the principles which guided the Ministry to introduce these changes. The Minister said:

> »The first principle is that an agreement to enter into an employment relation must be predicated on mutual, informed consent. The second is that the duly registered contract is the ultimate reference in terms of the rights and obligations of each party. The third is that an employment relation is strictly voluntary, that it can only continue on the basis of the free consent of each of the parties and can, thus, be terminated at any time by either party subject to mutually-agreed to conditions for termination« (cited in Almezel 2015).

The Minister further noted in this context that »Labour rights is one of the most vital issues of concern. Maintaining rights is definitely a core value« (cited in Gulf News 19.12.2015); he thereby especially pointed to Art. 20 of the UAE Constitution which states that »Society shall consider work as a cornerstone of its development. [...] It shall create the appropriate circumstances by enacting legislations protecting the rights of the employees and the interests of the employers in the light of developing international labor legislations.«

Although the Minister explicitly mentioned that »the formulation of a state's admission policy is the sovereign prerogative of its national government« he nonetheless noted that the UAE Constitution too stipulates to »formulate labour legislation that upholds the rights of workers and the interests of employers by emulating advanced legislation elsewhere in the world« (cited in Almezel 2015). He added that:

> »Therefore, we strive to improve our labour conditions out of our own convictions and in fulfilment of our obligations under our own Constitution, in the first place. This is why, when international organisations express concerns about labour conditions in the UAE, we can neither ignore them nor dismiss them. We are compelled, by our own Constitution, to listen to criticism, when such criticism is constructive, and be prepared to act when it points to factual gaps in our legal and regulatory systems. I trust that these new decrees, together with the hard work ahead of us to improve our implementation and enforcement capacities, will translate into a qualitative leap in our quest to improve labour conditions in the UAE« (cited in Almezel 2015).

Invest, the magazine of the Dubai Investment Development Agency at the Department of Economic Development in Dubai, conducted an interview with Humaid bin Deemas Al Suwaidi, Assistant Undersecretary for Labour Affairs at the Ministry of Labour, who said regarding these new decrees that »These policies, which were not enforced until the start of 2016, aim to establish a transparent employer-worker re-

304 This six-month rule is, however, tied to the condition that the worker has a certain skill level, i.e. holds a university degree, post secondary diploma or high school diploma (Art. 1, I-2).

lationship in order for both parties to be aware of their rights and obligations before proceeding with the employment process« (cited Invest 2016b: 11). He also noted that, more recently, the Ministry »also launched ›Know Your Rights‹, an ongoing campaign to raise awareness of new and existing workers in the labour market with regard to safeguards to their rights and the legal obligations the new decisions bring« (Invest 2016b: 11).[305]

In summary, as a result of the increased pressures from international organisations including labour and human rights organisations, and as a result of the increased protests and strikes of migrant workers from the mid-2000s onward, the UAE government seems to have decided to introduce many legal changes.[306] It has been illustrated that the period from the mid-2000s onward seems to have witnessed many legal changes regarding the working and living conditions of migrant workers.[307] In more recent years the UAE government also often declared its intention to further improve the situation of migrant workers, especially through inspections, wage dispute settlement mechanisms, and through establishing a 24-hour-toll-free hotline where workers can file complaints, check the status of their applications and ask other questions.[308]

2.4. The enduring presence of the *kafala* system

Despite these important legal changes, however, a range of issues remain regarding the working and living conditions of migrant workers. For instance, although it is illegal to withhold the passports of workers[309] this is still a widely practiced method by employers to have more control on migrant workers. There is also still no legal regulation regarding minimum wages.[310] Moreover, although there are labour laws stating certain labour rights it is widely reported that these laws are not really enforced (Gardner 2012: 99; Mahdavi 2012: 99; Modarres 2010; Roper and Barria 2014: 43). Al-Ghanim (2015: 8), for instance, reports that the rules set up by legal reforms and changes, e.g. regarding accommodation and inspections, are frequently not abided by. There are also other cases of such discrepancies. For instance, Art. 6 of the Ministerial Decision No. 52 of 1989 explicitly states that employers

305 The first phase of the »Know Your Rights« campaign was launched in February 2016 at the Dubai International Airport. The second phase was initiated in April 2016 at the ICAD labour camp in Abu Dhabi (WAM 06.04.2016).

306 It remains to be seen whether the Expo 2020 in the UAE (Dubai) and the FIFA World Cup to be held in Qatar in 2022 will constitute a further occasion for more pressures for change regarding the working and living conditions of migrant workers.

307 Beyond the working conditions the UAE government also introduced legal changes to the living conditions of migrant workers. Thus, the Cabinet Decision No. 13 of 2009 specifies that within a maximum period of five years any establishment should improve the standards in labour accommodations with 500 or more workers, i.e. provide ventilation and A/C, electricity, water supply, and appropriate sleeping facilities. The Decision can be accessed at http://gulfmigration.eu/database/legal_module/United%20Arab%20Emirates/National%20Legal%20Framework/Labour%20Migration/30.%20AUH%20Cabinet%20Decision%20No.%2013%20of%202009_EN.pdf (accessed 21.06.2016).

308 http://www.uae-embassy.org/about-uae/human-rights/labor-rights-uae (accessed 02.07.2016).

309 See http://www.uae-embassy.org/about-uae/human-rights/labor-rights-uae (accessed 02.07.2016).

310 http://www.state.gov/e/eb/rls/othr/ics/2015/241783.htm (accessed 03.06.2016). Contrary to the UAE there is a minimum wage for migrant workers in Kuwait. In Oman there is a minimum wage only for nationals. In Qatar, there was only a discussion about minimum wages. The introduction of a minimum wage in Saudi Arabia was rejected (Hertog 2014: 23).

have to bear these costs of migration.[311] This includes the costs of visa and airline ticket. Rahman (2011: 401) reports, however, that migrants wishing to migrate to the UAE have to bear the costs, which are especially high when migration takes place through a recruitment agency. Therefore, despite legal regulations providing rights to migrants regarding their migration process, »the employers and the recruiting agents try to exploit workers in several ways« (Zacharaia, Prakash and Rajan 2002: 61). Another discrepancy regards the working hours of migrant workers, which is limited eight hours per day by law. Rahman (2011: 403) reports that most of the workers usually work for another two hours overtime, which should be paid at 1.25 times the basic hourly wage but that many of them face problems regarding the payments of overtime. Additionally, many workers who, according to UAE law, have the right of a month annual leave reported that they were allowed for an annual leave only after two years of work (Rahman 2011: 403).[312]

In addition to the above-mentioned cases, there are also still restrictive regulations hindering migrant workers to organise. Thus, trade unions are still not allowed in the UAE, despite the fact that in 2006 it was reported that the government proposed an amendment to the Labour Law that would allow the Ministry of Labour to issue the necessary regulations facilitating the establishment of trade unions. Despite the fact that strikes and protests emerged from the mid-2000s onward, it remains to be noted that labour protests remain rare, »in part due to employers' ability to cancel contracts of striking workers, which can lead to immediate deportation.«[313] Finally, migrant workers are also still explicitly excluded from any citizenship rights. Instead, the UAE government and other Gulf countries aim to limit the stay and work of migrant workers as much as possible.[314] In 2008, it was reported that Gulf States were considering a new law that would limit the residency of migrants to 3 years, with the possibility of extending it for another 3 years. »The 3+3 law would reduce expatriates' potential to organise and become a political force, thus neutralising some of the risk of having a population dominated by foreign workers« (MEMTG 2008: 6). AlShebabi (2015: 4) notes in this context that »Strict measures […] were put in place to control expatriate integration and to reduce their power in the region's economic and political activities. These measures served to prevent them, as non-citizens, from settling permanently, from forming trade unions, and from capital ownership.«

But beyond these remaining limitations it is central to note that the above-elaborated legal changes do not mean any substantial change or the abolition of the *kafala* system as such. Regarding the legal changes of the transfer of the sponsorship to another employer, for instance, Alexander McGeoch, Head of the Employment & General Legal Services at Hadef & Partners, has noted that:

> »the impact of the easing of certain restrictions on switching sponsors may not be as big as some employees are hoping for«; »The reason«, he added, »is that the sponsorship system is seen by UAE authorities not only as a means of ensuring a degree of stability in the labour

311 The Decision can be accessed at http://gulfmigration.eu/uae-ministerial-decision-no-52-of-1989-setting-the-rules-and-procedures-for-work-permits-departments-dealing-with-recruitment-of-non-nationals/ (accessed 21.06.2016).

312 For a more comprehensive review of the discrepancy between existing legal regulations and laws regarding the rights of (migrant) workers and their enforcement see Keane and McGeehan (2008).

313 http://www.state.gov/e/eb/rls/othr/ics/2015/241783.htm (accessed 03.06.2016)

314 On the regulation of citizenship see Jamal (2015) and Sater (2014).

market but also, to an extent, as a method of guaranteeing social cohesion« (cited in Kapur 2011).

Additionally, the Minister of Labour, Saqr Ghobash himself explicitly noted that this was a reform of the sponsorship system and not its abolishment (Salem 2010a). In another context the Minister again acknowledged the need to »examine« the *kafala* system but »made it clear that the system was ›here to stay‹« (IOM 2011: 77). As a result, the kafala system remains largely in effect in all Gulf States (Al-Ghanim 2015) so that it continues that »labour in the Gulf generally receives the shorter end of the stick when compared to capital« (AlShebabi 2015: 34).

The involvement of the UAE in international settings further illustrates that the government is interested in keeping its temporary framework of migration which subordinates the international mobility of labour to the needs of economic development. One example is the Abu Dhabi Dialogue, which was established as a platform for sending and receiving countries regarding the migration to the Gulf. Although the Abu Dhabi Dialogue mentions the need to protect »contractual workers«, the emphasis is mainly put on the development and share of knowledge on labour market trends, skills profiles, and labour flows; on »Building capacity for more effective harmonizing of labor supply and demand«; and on »Developing a structure for a comprehensive approach to managing the entire cycle of temporary contractual work that fosters the common interest of countries of origin and destination.«[315] De Bel Air (2015: 5) reports that since 2009 a pilot project to survey and document best practices in the management of the temporary contractual employment cycle was run within the realm of the Abu Dhabi Declaration group. Martin (2012: 229) too notes that »The principal goal of the Abu Dhabi Dialogue is to promote properly managed contractual labor mobility.« In fact, the UAE has been a very active participant of the Abu Dhabi Dialogue. It is a member of the Steering Group and has chaired several working groups. The main focus has been, however, on the effective management of labour flows.[316]

Another example is the GFMD at which the UAE takes part. Here too the emphasis has been primarily on a temporary framework aligned with the needs of economic development. For instance, at a meeting of the GFMD in 2008, Saqr Ghobash, UAE Minister of Labour, emphasised the need for »organised labour flows« and noted that »labour mobility needs to be effectively managed through the formulation of appropriate legal and policy frameworks, through the development of administrative structures and through on-going capacity building«, which makes it necessary that sending and receiving countries work together (cited in UAE 2009: 214). At another meeting of the GFMD in 2009 the Minister acknowledged the contribution of »contractual workers« to its economy and noted that it is committed to protect the rights of workers, but importantly he added

315 See http://www.uae-embassy.org/about-uae/human-rights/labor-rights-uae (accessed 02.07.2016). See also Rahman (2011: 397), Khaleej Times (03.10.2013) as well as http://www.iom.int/cms/en/sites/iom/home/what-we-do/regional-processes-1/rcps-by-region/abu-dhabi-dialogue.html and http://www.colomboprocess.org/index.php?option=com_content&view=article&id=46&Itemid=29 (accessed 14.02.2014).

316 One of the initiatives of the UAE within the Abu Dhabi Dialogue was that it proposed a study entitled: »A market-based approach to reduce the cost of migration: A Bangladeshi feasibility study«. The study proposed that those who aim to migrate from Bangladesh to the Gulf region should be given the opportunity to obtain low-cost loans to repay the cost of migration (Martin 2012: 225-226)

that »The UAE has a particular interest in models of migration that are [...] of a temporary or circular nature« (cited in UAE 2010: 163).[317]

Although the UAE, together with the ILO, developed projects to further enhance the rights for and to improve the working conditions of migrant workers, it is fact that the effective management of labour flows has been a central aspect of this cooperation (see Gulf Affairs 2015: 52).[318] And, as has been already noted above, neither the UAE nor the other Gulf States have signed any of the ILO Conventions and Recommendations regarding the rights of workers to organise or the overall rights of migrant workers.

As result of the whole described process the *kafala* system remains intact and there seems not be any sort of substantial change in the near future. The subordination of the international labour mobility to the needs of capital will insofar remain as one of the central characteristics of the regulation of labour migration in the UAE and the Gulf region as whole. However, growing discontent with large numbers of migrant workers by nationals, and the increased numbers of unemployment within the national population, has resulted in nationalisation policies in each of the Gulf countries aiming to reduce the number of migrant workers and to increase that of nationals. What this means for the regulation of the labour migration in the context of the above discussion will be dealt with in the next section.

3. The nationalisation of the labour force: Towards replacing migrant labour?

3.1. The unemployment of nationals and the social basis of Emiratisation policies

It has been noted above that despite many changes in the *kafala* system the basic structure favouring employers has remained in place. There is, however, one field of policies related to the regulation of labour migration that has worried companies operating the Gulf region in particular, namely policies aimed at reducing the dependence on migrant labour through the nationalisation of the labour force.

The background of these policies is that, first, the presence of high numbers of migrant workers in the Gulf region has been looked at in a sceptical way by nationals and often perceived as a national security issue or as a threat to national heritage and cultural values (Babar 2011: 21; Salem and Dajani 2013; Rahman, A. 2010; Kamrawa and Babar 2012b: 10-11). Herb (2009) illustrates how many of the leading Emirati personalities also viewed the high numbers of migrants as a problem. For instance, Jamal Al-Suwaidi, head of the prominent Emirates Centre for Strategic Studies and Research, said in 2007 that during one of his visits to a shopping mall he »felt awkward, as everybody there was staring at me as if I was from another planet. It was because I wore a *kandoura [dishdasha]*.[…] we feel like

317 Especially from the mid-2000s onward the UAE has also signed bilateral labour agreements and/or memorandums of understanding (MoU) with a range of countries including India, Nepal, Bangladesh, the Philippines, Sri Lanka, Indonesia, Thailand and China regarding the management of the flows of labour to the region (Rahman 2011: 397; Zahra 2015: 8).

318 The ILO has also focused on employment policies and the development of the private sector in the Gulf region. Thus, Frank Hagemann, Deputy Regional Director for Arab States at the ILO, notes that they also support Gulf countries with training programs, »including on how to develop and implement national employment policies. For example, we are currently conducting a series of training sessions for GCC policy makers on developing a comprehensive, unified and systematic approach to collecting and analysing market data based on international standards« (cited in Gulf Affairs 2015: 52). Regarding the private sector ILO supports the Gulf states to find solutions for the entrance of nationals into the private sector (Gulf Affairs 2015: 53-54).

strangers in our country«; Yousif Khalid al-Yousif, an economics professor criticised the government which »issued thousands of visas to foreign labor, throwing them into the country . . . only to achieve profits even if [the country's] identity is lost«; Abdulkhaleq Abdullah, a prominent professor in the UAE said that the high numbers of migrants »are frightening« and even considered the global economic crisis as a »blessing« as it would lead to a reduction in the numbers of migrants (cited in Herb 2009: 389-390).[319]

Second, all Gulf countries face the problem of unemployment. Despite the lack of sufficient data on unemployment in the region many scholars have noted that it is increasing, especially among women and the youth population. They have estimated that the unemployment in the region varies between 11 and 18% and that it is even higher among the youth population, estimated to range at 35% (Baldwin-Edwards 2011; Shah 2006; Babar 2011). The IOM (2012: 6) noted that the unemployment among the youth population is 20% in Bahrain and 28% in Saudi Arabia. According to a more recent report 35% of the young nationals in Saudi Arabia are unemployed whereas the unemployment rate among university graduates even stands at 48% (Yamada 2015). Another more recent official publication shows that in 2014 female unemployment has ranged from 55.6% in Kuwait to 85.9% in Bahrain and that youth unemployment (those 20 to 30 years age) has ranged from 32.2% in Bahrain, to 38.8% in Saudi Arabia, and to 41.6% in Qatar (GCC-STAT 2016b: 142, 144).

In the case of the UAE, Chartouni (2008) notes that the unemployment of nationals, especially among the youth population, is also a major problem. As of 2007, the MEMTG (2007: 4) noted that the unemployment in the UAE is estimated to be at around 15%[320] and that among young Emiratis this figure is estimated to be as high as 60%. The problem of unemployment is also recognised by the UAE government. More recently, a report issued by the National Bureau of Statistics in June 2012 notes that unemployment is a serious issue in the UAE, and that in 2011 20.8% of Emirati citizens of working age were unemployed.[321] Out of the 4 million employed in the private sector Emiratis accounted for just 0.5% of the jobs (UAE 2013: 158; Al-Waqfi and Forstenlechner 2014: 170).

This situation has often been criticised by UAE nationals and the FNC, and the presence of high numbers of migrants was also matter of debates in the FNC throughout the 1990s (Davidson 2005: 16). Thus, it was often reported that nationals complain that the labour law favours employers and that there are no laws to protect UAE nationals in the labour market (Gulf News 26.01.2003). One of the reports on the UAE noted that »Ambitious, foreign-educated, and politically active young nationals have demanded more influence in commerce, business, religion, and government, calling for restrictions on hiring foreign workers to open more employment for citizens« (Country Conditions 2010:

319 These concerns were also shared by many Gulf officials. For instance, Majeed Al-Alawi, the Bahraini Minister of Labour and Social Affairs said at a 2004 meeting of GCC labour ministers that »non-Arab foreign workers constitute a strategic threat to the region's future«; Abdul Rahman Al Attiya, the GCC Secretary-General, noted in 2005 that Gulf countries »need to look at the massive presence of expatriates basically as a national security issue, and not merely as an economic matter«; and James Zogby, the president of the Arab American Institute said in 2005 that the migrant workers constitute a »time bomb waiting to explode« (cited in Kapiszewski 2006: 8; see also Hanieh 2011: 65).

320 According a survey from 2009 the unemployment rate in the UAE was 12% (Forstenlechner et al. 2012: 46).

321 The unemployment rate within the migrant population was estimated to be 3.2% for the same year (UAE 2013: 158).

15). The presence of large numbers of migrants outweighing the national population, often called a »demographic imbalance«, was thereby often described as a »social catastrophe« or a »national catastrophe« (Abu Ghazaleh 2004a, b). One of the FNC members also pointed out that the unemployment of young UAE nationals ought to be considered as a national security issue which could have a devastating social impact (Salama 2013b).

FNC criticism towards the government for not doing enough to increase the number of Emiratis in the labour force continued throughout the early 2000s. For instance, one of the FNC members said in 2001 that »The number of UAE nationals working in the private sector is far below the required level. So the government must issue laws to force the private sector to employ nationals« (cited in Al Jandaly 2001). Another member noted that he does not »understand how a national in his own country cannot have the right to employment. […] The nationals have the right to work in their own country. They must receive first preference« (cited in Gulf News 22.09.2004). It was emphasised that the government has to implement legal provisions favouring UAE national's employment. A FNC member from the emirate of Sharjah, for instance, pointed to the labour law (Federal Law No. 8 of 1980) and the legal provision that employment preference should be given to UAE nationals (Art. 14) and noted that »This is not executed right now. If you have 40,000 available to work, any one of them can be an accountant, a secretary or go into a lot of other jobs on offer« (cited in Salem 2013g). Similar critiques regarding the non-enforcement of this legal provision were also put forward by other FNC members (Salama 2013b).

Some FNC members proposed that through legal regulations certain professions should be reserved for nationals only (Al Nowais 2003). Others have demanded that Emiratisation should be expanded to cover free zones, transnational companies, banks and insurance companies as well as hotels so that »All of them must have a quota for national employees« (Al Jandaly 2001). A FNC member noted that beyond introducing Emratisation quotas for all private companies »salaries should be subsidised by the Government so that citizens earn an income equal to that earned by their peers in the public sector if not more considering long working hours, lower job security and less perks in the private sector« (cited in Salama 2013b).[322] Similar interventions into this debate and similar demands related to the increase of Emratisation levels by the FNC have been present throughout the period from the early 2000s onward (Salama 2011; Salama 2012b). In 2013, the FNC members also wrote a letter to the UAE president, Shaikh Khalifa bin Zayed Al Nahyan, and noted that »Strengthening the national identity and emiratisation and improving the population structure top our priorities and effective plans must be set so that appropriate successful solutions are developed« (cited in Salama 2013a).

More recently, the FNC has increased its critics regarding the high numbers of unemployment. For instance, during a meeting of the FNC in October 2013 the members demanded from the government that Emiratisation quotas should be introduced for all private companies. Hamad Al Rahoomi, a FNC member from Dubai, noted regarding the problem of unemployment that »This state we are in is abnormal. No matter what, we should not reach such high unemployment rates« (cited in Salem 2013g). Emiratisation was thereby seen as a necessary step to face the problem. Thus, the FNC's Emiratisation

322 See on this also the debate on Emiratisation in the FNC in November 2014 (Salem 2014).

Committee demanded that government pay subsidies for the employment of nationals in the private sector. The Committee additionally »asked for specific working times and holidays to help make private jobs more appealing« (Salem 2013h). Earlier in the same year Hamad Al Rahoomi also demanded that it should be made mandatory for companies to hire nationals at the same wage levels as in the public sector, and that this »would compensate for lower job security in the private sector and the possibility of being squeezed out by expatriates« (Salem 2013g). Some members also proposed that »If private companies have a high Emiratisation rate they should have the priority to win tenders« (cited in Halligan 2014b). The FNC also demanded in November 2013 that Emiratisation should become a law (Salem and Dajani 2013). Mosabeh Al Kitbi, a member of the Emiratisation Committee from the Emirate of Sharjah said in this context: »We say thank you to [expatriates], they gave what they can. It is now time for the Emirati to take their place« (cited in Salem 2013h).

3.2. The legal foundations of Emiratisation

It is from the above described »demographic imbalance« and the related increase in demands for Emiratisation that the UAE government has introduced nationalisation policies (Hertog 2014; Shah, 2013). In line with the increased development of a private sector the UAE government aims to reduce the dependence of nationals on the public sector and channel them more to jobs in the private sector (Al-Waqfi and Forstenlechner 2010: 365; Al Deen 2006; Salama 2009a; WTO 2006: 4). Al-Ali (2008: 377) notes in this context that »The public sector, for decades an automatic cradle-to-the-grave employer, no longer automatically accepts Emiratis into its overfilled ranks.« Shaikh Mohammad bin Rashid Al Maktoum himself made it many times clear that the young population of the UAE, especially the students, »need to take labour market conditions into account when planning their careers« (cited in Rahman 2005d), and that nationals should seek for jobs in the private sector. He said that:

> »Being patriotic is not just words, but through action. Now we have many well-educated and trained nationals who will be able to work in the private sector. The government has put in a lot for the private sector because it is an important sector in every country« (cited in Gulf News 15.11.2005).

The then Minister of Economy, Shaikha Lubna Al Qasimi, said in this regard that »The private sector holds the key to Emiratisation it's where the jobs are« (cited in Ditcham 2006), and Shaikh Mansour bin Zayed Al Nahyan, Minister of Presidential Affairs, said regarding the youth population: »Turn your focus on the private sector. It is the future for you for suitable jobs« (cited in Hoath 2006).

Regarding Emiratisation it has to be noted that the related legal regulations in the UAE in fact date back to the Federal Law No. 8 of 1980 which gives the right to work first to UAE nationals. Thus, whereas Art. 11 of this law states that the Labour Department at the Ministry of Labour has the task of creating employment opportunities for nationals, Art. 14 states that »The Labour Department may not approve the employment of employees who are not UAE nationals unless its records show that none of the unemployed national employees who are registered with the Labour Section is qualified for the job.«[323]

323 In Art. 11 of the same law it is stated that »In the event of non-availability of national workers, preference shall be given to: 1. Arab workers who are nationals of an Arab Country. 2.Workers of other nationalities.«

Beyond this legal regulation there were also Emiratisation efforts in the early 1990s (Randeree 2012; Al-Waqfi and Forstenlechner 2014). But one of the most important attempts of the UAE government to face the problem was the establishment of the National Human Resource Development and Employment Authority (Tanmia) in 1999 by a presidential decree.[324] The main tasks of Tanmia include providing assistance regarding the employment needs of Emiratis, and to regulate and implement the Emiratisation programme.[325]

It was also in the late 1990s that the government issued the Cabinet Decree No. 10 of 1998 requiring all banks, including foreign bank branches, to achieve a 4% annual increase in the number of employed nationals starting from January 1999. Shortly after this decree the UAE government recommended in 2001 that the share of nationals employed by insurance companies (national and international) should be 5% and that their share should increase by 2% annually. This was only a recommendation and not mandatory for insurance companies, was, however, made mandatory in 2003 by issuing the Cabinet Resolution 202/2 in 2003, which changed the annual increase of employed nationals from 2% to 5% (WTO 2006: 4; Randeree 2012: 10; Al-Ali 2008: 368-369).[326] In January 2005, the Ministerial Resolution No. 41 made it mandatory for trade sector companies with more than 50 employees to employ nationals at an annual rate of 2% (Art. 1), and that they have to provide Tanmia with updated data on the status of their Emiratisation (Art. 6). If the legal provisions regarding Emiratisation are achieved by the company »the Ministry of Labour will suspend dealings« with these companies (Art. 7).[327] The Ministry of Labour established categories of firms which achieve the targets and which do not. Those companies failing at Emiratisation would face fines and increased fees (Randeree 2009; Gulf News 20.08.2005).

In September 2005, the Ministry of Labour issued a ministerial decree stating that from January 2006 onward, in companies with 100 or more employees, the Public Relations Officers (PRO) have to be Emiratis. In 2006, then, it was reported that the Ministry of Labour stopped renewing the labour cards of migrants employed as PRO. In 2006 the government also announced that in all companies with 100 or more employees only Emiratis should be employed in the human resource departments, and that non-compliance with this would result in the freezing of all relations with the Ministry of Labour and thus in the rejection for new applied work visas (Vazquez-Alvarez, 2010; Gulf News 10.04.2006; MEMTG 2007: 4).

More recently, the UAE Vision 2021 states that the target of the government is to double the share of nationals in the workforce and to increase the Emiratisation rate in

324 See https://tanmia.ae/English/AboutTanmia/Pages/History.aspx (accessed 13.07.2016). Later on the emirate of Dubai established the Emirates National Development Programme in 2000 and the emirate of Abu Dhabi established the Tawteen Council in 2005 to support Emiratisation (Al-Waqfi and Forstenlechner 2014: 169).

325 Tanmia has also specific programmes aimed at encouraging the establishment of small- and medium-sized companies by nationals by offering a simplified application process, low interest rates and favourable repayment terms (WTO 2006: 4).

326 In 2003, the UAE government also »officially introduced the ›Cultural Diversity Policy‹ which endeavored to make Emiratis the largest minority in the country by reducing the number of other minorities« (Jamal 2015: 605).

327 The resolution can be accessed at: https://tanmia.ae/English/ResearchandLaborMarket/Pages/EmiritisationLaws.aspx (accessed 13.07.2016).

the private sector tenfold by 2021.[328] The government thereby often declared that it »is totally committed to emiratisation and the ministry reserves the right to strengthen the UAE work force in the private sector« (cited in Salama 2003b; see also Gulf News 12.11.2003, 21.09.2011). On many occasions the government also made it clear that companies failing Emiratisation quotas would face penalties, e.g. in form of rejecting the application for new work visas or in form of fines to be paid (Rahman 2005c; Hadid 2006; Forstenlechner 2008; Issa 2006; Salama 2006).[329]

To push Emiratisation further the UAE government also established the »Emiratisation Council« in 2009 and the »Khalifa Fund for Emiratisation« in 2011, and declared 2013 as the »Year of Emiratisation« in order to promote job opportunities for nationals in the private sector and to enhance the skill levels of nationals (Gulf News 01.06.2009; Al Jandaly 2011; Zaman 2012). In early 2016 the government even changed the name of the »Ministry of Labour« into »Ministry of Human Resources and Emiratisation« and attached Tanmia to the new ministry in order to emphasise efforts to better »manage« the workforce and to further increase Emiratisation (Kapur 2016).

One important change regarding Emiratisation policies has been that from the mid-2000s onward the UAE government decided to shift from predominantly focusing on quotas to a rather »soft« approach emphasising education and the development of skill levels of nationals. This was considered to be more suitable to create a sufficient level of education that could match the demands of the private sector (Forstenlechner 2008; Hertog 2014). In line with this, Tanmia's Employer Relations Manager noted that »Tanmia's main drive today is not to enforce quotas, but to help young UAE nationals develop their skills and initiate their career« (cited in Forstenlechner 2008: 84). Shaikh Mohammad bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and the ruler of Dubai, also emphasised that »It is very easy to impose Emiratisation. We can do this any time, but what would we gain if we did not provide our youth with the best knowledge, skill and expertise to commensurate with these jobs?« (cited in Salama 2009b).

3.3. Capital as a social force opposing Emiratisation

Importantly, nationalisation policies have been strongly opposed by companies operating in the Gulf region. AlShebabi (2015: 25) notes that the private sector as whole showed »little enthusiasm for the task«. In the case of the UAE it is therefore often noted that although relations with the business community and potential investors will remain solid, Emiratisation policies »have caused concern from both local and transnational com-

328 http://www.vision2021.ae/sites/default/files/national_agenda_summary_english.pdf (accessed 26.03.2015). In 2013, The Economist (08.07.2013) reported that at the General Secretariat of the Executive Council (GSEC), »Abu Dhabi's top policy-making body which reports to the Executive Council chaired by Sheikh Muhammad bin Zayed, the crown prince«, almost all foreign staff members were fired. The Economist further notes that most of them »were considered to be the very best of the emirate's strategists. GSEC may be confident that it can fill the imminent skills vacuum with existing Emirati staff but the development raises uncomfortable questions over the future of other non-national government workers. Although the public sector is already staffed predominantly by Emiratis (almost 92% of Emiratis work for the state or bodies close to it), a few thousand foreigners still occupy mid- to senior-level positions in government of semi-government entities.«

329 In 2005 the Ministry of Labour declared that fines paid by companies due to non-compliance with Emiratisation quotas ranged at 41.6 million USD (Forstenlechner 2008: 83).

panies« (Godwin 2006: 8) and that these policies constitute one of the »sources of tension« (MEMTG 2007: 4). It is thereby noted that »the rationale for Emiratisation is clear from a demographic perspective but by far not from a business perspective« (Forstenlechner 2008: 89). These policies, especially the imposing of quotas, are sometimes also described as a form of taxation because it »increases the cost of labor and is equivalent to a tax on labor. It also increases the cost of production and output price, and decreases the industry's production« (Marchon and Toledo 2014: 2269; see also Forstenlechner et al. 2012: 409). Two points are thereby especially emphasised regarding the opposition of companies to Emiratisation policies.

The first point is related to the fact that the labour market in the UAE reveals a strong segmentation, with nationals predominantly employed in the public sector. The public sector does not only offer higher wages but also better working conditions, better job security, shorter working hours and generous vacations, which makes it more appealing to nationals (Al-Ali 2008; Al-Waqfi and Forsenlechner 2010; Gulf Affairs 2015; Randeree 2009). Thus, Al-Waqfi and Forstenlechner (2014: 171) point to the easy access of nationals to the public sector with high wages and better working conditions which, however, »might be inconsistent with the market value of their human capital« so that nationals expectations regarding wages and working conditions are »unrealistically high«. Al-Ali (2008: 370) notes in this context that nationals »are often not prepared to entertain the private sector's compensation levels and working conditions for their selected career paths« (see also Randeree 2009; Toledo 2013).

It is from this backdrop that the demand for Emiratis in the private sector is very weak due to lower wage levels in the private sector which Emiratis are not willing to accept. Instead »employers can hire more experienced, much cheaper, and more easily exploited foreigners thanks to migration and sponsorship systems that allow large-scale importation and easy control of labor from other developing countries« (Hertog 2014: 23). A similar argument is also put forward by Sultan (2012: 6) who notes that many companies »which are accustomed to low-cost labor with few rights« see the high salary and benefit expectations of nationals as a problem. Thus, companies often complain that they cannot hire nationals because of high salary expectations/demands and that migrant workers show »a greater efficiency at a lower cost« (Al-Ali 2008: 375). A UAE national businessman, for instance, reported that for him it is impossible to hire nationals because his company pays low wages (Gulf News 20.08.2005). A female Emirati HR manager was more precise on this by noting: »I am an Emirati and I would prefer to hire Emiratis in general. But I also have budget limitations and sometimes I have to avoid hiring more Emiratis because of the high wage expectations. This is a business and we have to make profit« (cited in Al-Waqfi and Forstenlechner 2014: 179). Similarly, the Gulf News (26.02.2011) reported that »Most private companies cannot offer Emiratis the salaries, working conditions and career opportunities the government is willing and able to afford. For companies the accounting is simple: unaffordable labour costs equal less profit and – in the worst case – bankruptcy.« Therefore, companies operating in the UAE generally perceive national workers not as a good substitute for migrant workers with the latter perceived as being »relatively more productive than native workers« (Marchon and Toledo 2014: 2254).

The second point regarding the opposition of companies to Emiratisation policies is that nationals are considered to be difficult to control and difficult to dismiss. Whereas the dismissal of migrant workers is easy, »there is uncertainty regarding dismissals of citizens« (Al-Waqfi and Forstenlechner 2014: 173; see also Sultan 2012: 6).[330] A study based on interviews with managers and human resources staff in the UAE has therefore revealed »that there is a clear and continued preference for non-national labour from both a control and general cost perspective«, and »that non-nationals tend to be hired in preference to nationals primarily because they are ›easier to control‹ (i.e. hire, manage and fire)« (Forstenlechner et al. 2012: 414). One of the »stakeholders« the WEF (2014b: 11) interviewed notes in this context that »Labour rights of nationals are extreme; it is impossible to fire them.« And an Emirati human resources manager notes that »Foreign workers are more committed to stay in the company because they do not have many other options. However, Emiratis often leave to other jobs after we invest in them and that is an extra cost of hiring nationals« (cited in Al-Waqfi and Forstenlechner 2014: 181). This last mentioned point, i.e. the problem surrounding the »investment in nationals« is also emphasised by other companies: a UAE national businessman, for instance, noted that »It takes us time to train a worker to do the job. We can't fire them and bring in others. We will lose money training new staff« (cited in Gulf News 20.08.2005).[331]

One of the interesting points is that companies opposing Emiratisation policies specifically emphasise »that for them it is not primarily the nationality which comes at top« (Al-Waqfi and Forstenlechner 2014: 181). Thus an Emirati who is head of the human resources department, for instance, noted that »The last thing private companies will care about is the nationality of their workers, if they do well in terms of profits nothing else can affect the choice of the employee« (cited in Al-Waqfi and Forstenlechner, 2014: 181).

Mainly in congruence with the standpoint of companies operating in the UAE (and the Gulf region as a whole) international economic organisations too noted that they are sceptical about nationalisation policies. The WTO (2006: 2), for instance, has criticised Emiratisation policies through imposing quotas on businesses and argued that these quotas »if widely implemented, could become an impediment to doing business in the UAE […] [and] would further increase the relative attractiveness of operating in the free zones, where these provisions do not apply« (see on this also Mina 2008: 1444). A similar argument has also been put forward by the OECD (2011: 39). The IMF and World Bank »warned regional governments not to implement nationalisation policies that could prove to be counterproductive« (Al Lawati and Issa 2009). In fact, the IMF has continuously noted that these policies are inefficient and should be replaced by measures aimed at the education and training of nationals, and wage subsidies for employing nationals.

330 Toledo (2013: 41) also notes that »A recent law in the UAE banned the firing of Emirati workers except under very specific conditions.«

331 Here it is important to note that beyond the described aspects of the wage levels demanded and the control and dismissal of nationals many companies also complain that nationals do not posses the required skill levels (Al-Ali 2008: 371). Although the true extent of this point is controversially debated in national newspapers in the context of Emiratisation policies it seems that this constitutes one of the reasons for the above mentioned shift of Emiratisation policies from quotas to focusing more on the education and the development and training of the skill levels of UAE nationals. More generally, it is also in congruence with the UAE's increased efforts of expanding and investing in training and education.

Additionally, the UAE government was also urged to lower the social benefits for nationnals and increase the working hours in the public sector to reach that of the private sector in order to initiate a move of nationals toward the private sector (IMF 2003, 2004, 2005, 2011b, 2013a).[332] The IMF (2005: 19) has explicitly mentioned that:

> »it is critical that any future changes to labor policy do not adversely impact the competitiveness of the economy« and added that »The liberal labor policies adopted thus far in the U.A.E. have allowed the private sector to recruit expatriate workers at internationally competitive wages. These policies have contributed to the economic growth and improved competitiveness of the non-oil economy in the U.A.E., which in turn resulted in job creation for nationals.«

It was further argued that nationalisation policies, especially in the form of quotas imposed upon companies, would fade away the »elastic supply of relatively cheap foreign labor« which contributed to the economic development (IMF 2013b: 15). Finally, the WEF (2014a, b) too has criticised Emiratisation policies by noting that the most problematic factors for doing business, which companies express, were »restrictive labour regulations« and the »poor work ethic in national labour force«.

3.4. The result of Emiratisation policies: Just ineffective?

The question to be answered remains what kind of an effect Emiratisation policies had and whether they were successful. There are from time to time reports and studies pointing to the success of Emiratisation in certain companies. Ingo Forstenlechner, who carried out interviews with managers of TNCs, for instance, concludes that Emiratisation could also have positive effects, and gives the example of a manager »who found that a backlog of work visas was cleared in a matter of days after he hired an Emirati employee. The reason? One of the Emirati's cousins worked in the immigration department.« Additionally, he adds that »Companies that took Emiratisation efforts seriously also found it easier to secure government contracts« (cited in Gerson 2009; see also Randeere 2012: 10-11).

However, despite the existence of some success stories it is widely recognised that Emiratisation policies were mainly not successful (Al-Ali 2008; Forstenlechner et al. 2012; Randeree 2009; Vazquez-Alvarez 2010; Zaman 2012).[333] For instance, although there were increased Emiratisation levels in the banking sector and the UAE government noted that there was progress, the 4% annual increase introduced for all banks in 1999 did not reach its goal. The 5% annual increase in the employment of nationals in the insurance sector introduced in 2003 was also not achieved (WTO 2006: 4; Al-Ali 2008: 369-370). Al-Ali (2008: 370) and Forstenlechner et al. (2012: 409) note that in 2004 only 4.5% of the of the overall 2,760 employees in the insurance sector were nationals and that in 2005 only one of the 46 insurance companies achieved the 5% target. A report from 2011 noted that the Emiratisation rate in the insurance sector did not exceed 6.5% in the previous 15 years (Gulf News 26.02.2011). A manager of one of the insurance companies said in this context that »It has always been mentioned that the current working hours and the six-day week are major drawbacks in attracting UAE nationals. […] There is a huge gap in

332 One of the »stakeholders« interviewed by the WEF (2014b: 17) says in this context that »Governments spend too much on their people to keep them happy.«

333 Many scholars argue that nationalisation policies were Gulf-wide not successful or had only a limited success (Babar 2011; Winckler 2012; Colton 2010: 36).

the benefits offered by the public and private sectors, and this is the biggest hurdle« (cited in Nair 2003). Al-Ali (2008: 370) too reports that insurance companies complain about »genuine interest by nationals« and their low »turnover«.[334] Finally, the National Bank of Dubai has also noted that »Long hours of work, one-day weekend, foreign work environment and availability of better and more attractive work opportunities in other sectors were cited as reasons for the ›lack of nationals' interest‹ to work in the sector« (Grant, Golawala and McKechnie 2007: 515). Beyond the banking and insurance sector, other attempts regarding Emiratisation have been also described as mainly unsuccessful. For instance, Hertog (2014: 21) notes that the preservation of some professions such as human resource management and secretarial positions have had limited success.[335]

The UAE government has thereby often declared that it will further push for Emiratisation and that companies have to face the consequences for not complying the related policies. For instance, in 2005 the Tanmia announced that it was preparing a list with companies who did not reach the quotas and that these companies would face legal action (WTO 2006: 4). In 2005, it was also reported that about 80,000 companies in the UAE were violating Emiratisation policies and labour laws and that they would be facing adequate consequences (Hadid 2005). But it is usually also recognised by the UAE government that Emiratisation policies had a limited success (Salama 2009b). Ahmad Humaid Al Tayer, the then Minister of Communications, who heads the Higher Emiratisation Committee, for instance said that:

> »The mechanism is there, but sometimes it is not enforced. But now there is no choice, because some companies, unfortunately, don't recognise the importance of this issue. They only think of trying to maximise their profits, by bringing cheap labour. If this doesn't create a problem for them, it creates a serious problem for the country in the long and short term« (cited in Abu Ghazaleh 2004b).

Yet Hertog (2014: 21) argues that since 2007, Emiratisation policies have been de facto abandoned outside of the banking sector. This, in turn, has led to new critiques put forward by the FNC. In 2013, for instance, during a debate on Emiratisation Ahmed Al Shamsi from the emirate of Ajman »said he was disappointed that during such an important debate, the Government did not announce any projects to increase Emiratisation, instead leaving the ministers to reassure the council with words only« (Salem and Dajani 2013). Similar critiques were also put forward in 2015 (Salem and Dajani 2015). The companies thereby largely resisted Emiratisation policies. Thus, Forstenlechner et al. (2012: 409) note that:

> »the default response has thus far been to resist them and ›if pushed hard‹ to ›undertake small-scale programs‹. Moreover, many such ›programs‹ amount to little more than what has been termed a ›window dressing operation‹ – hiring the bare minimum that the given quota stipulates and placing such employees in non-strategic positions with no intention of investing in their HRD.«

This points to the important question whether companies operating in the UAE »would be willing to sacrifice financial gain – revenue and profits – to make jobs available to nationals who do not fulfil the productivity requirements« (Grant, Golawala and McKechnie

334 A report by Tanmia states the lack of basic English language as well as lacking communication and computer competency skills were main factors hindering successful Emiratisation in the insurance sector (Grant, Golawala and McKechnie 2007: 515).

335 Forstenlechner et al. (2012: 409) also mention another example, the attempt of the emirate of Sharjah to recruit nationals for taxi driving positions which, however, »saw just one application in five years«.

2007: 518). In many cases Emiratisation was only implemented to get require-ments done. For instance, a national holding a human resource position at a company said that:

> »It was clear from the beginning that all management wanted was numbers for the press. The day we hired 5 locals we sent out our first press release, the month after we had produced our progress report on Emiratisation the CEO called to find out how to get rid of them again. In between there was no interest by anyone from the top. People were sitting around doing nothing and of course, they got frustrated« (cited in Forstenlechner 2008: 87).[336]

Obviously, many companies have tried to avoid Emiratisation as far as possible.[337] Beyond the just mentioned limitation of Emiratisation to »small-scale programs« in companies, it has also become a widespread practice that employment for nationals is created on »paper only« (Dajani 2014; Hadid 2005). This method whereby nationals are officially hired but are asked to stay at home in exchange for a certain amount of money is often called »phantom employment« (Hertog 2015: 23), employing »ghost workers« (Forstenlechner 2008: 87) or »ghost emiratisation« (Line 2011). It is sometimes also reported that companies use manpower companies in order to circumvent Emiratisation »By hiding a high number of expatriates in these shadow companies« (cited in Al Binali 2014).

From the backdrop of the above-described increased demands for Emiratisation, the related Emiratisation policies introduced by the state and the fact of their limited success, the question arises why throughout the whole period from the late 1990s Emiratisation policies have been kept alive at all. There are, of course, many reasons put forward for the limited success of Emiratisation. These include that expectations of nationals regarding wage levels and working conditions do not match up with the demands of the private sector, that the skill levels of nationals are not enough for the employment of nationals in the private sector, and that the policy design (especially the introduction of quotas) has hindered effective Emiratisation.

These reasons put forward, of course, point to important dimensions of Emiratisation policies and the assessment of their success. It is, however, obvious that Emiratisation policies should be seen in a greater picture. Thus, the attempts of the state to push for »an arranged marriage on unwilling partners« (AlShebabi 2015: 26) seems to indicate that the state cannot be considered as independent of the society. One could in this context argue that Emiratisation policies »should be looked at […] in largely symbolic terms, as a reflection of the pressures that government officials juggle« (Mednicoff, 2012: 209). But beyond this, nationalisation policies seem also to illustrate that they also should be seen »in the light of the hegemonic functions they serve. Perhaps they in some way work to win the consent of the dominant bloc and that of various subaltern social groups on the national stage« (Chalcraft 2010: 26).

The increased legal efforts of the state to promote Emiratisation can be taken as an example of the attempts of the state towards creating some form of consensus. The limi-

336 Other interviews with national as well as migrant employees show that they were also aware of the fact that Emiratisation in their companies was not or only to a limited extent successful (Al-Waqfi and Forstenlechner 2010)

337 Beyond the above mentioned hurdles for companies to employ nationals (especially expectations related to wages and working conditions) Al-Waqfi and Forstenlechner (2014) also note that policy design and implementation tools used, e.g. the introduction of quotas for certain sectors or the replacement of certain positions by Emiratis within a limited period of time, are also to be considered as reasons for the limited success of Emiratisation policies.

ted success of these efforts does not contradict this attempt, but illustrates that this attempt proceeds in a contradictory and precarious way, as the state has to balance the complex interrelation of interests attributable to different social forces at the national as well as international level, including national and migrant labour, as well as nationally and internationally oriented capital. But beyond its contradictory development the trajectory of nationalisation policies also reveals two major contradictions. First, there is a major tension between the emphasis on the idea of a free market or the importance of the private sector on the one hand and nationalisation imposed upon the private sector on the other hand. The second contradiction regards the historical and contemporary importance of public sector employment as a »pacifying« aspect, which ensures political legitimacy on the one hand, and the »danger« of loosing this »pacifying« aspect through establishing neoliberal policies aimed at an increased employment of nationals in the private sector and their adjustment to the »private sector's less forgiving environment« (McKinsey 2007b: 15) on the other hand.

4. Concluding remarks

It has been illustrated that the regulation of labour migration in the UAE through the *kafala* system reveals a structure that puts emphasis on a temporary framework of labour migration aligned with the economic needs. Insofar, the regulation of labour migration in the UAE (and other Gulf countries) basically supports the Neo-Gramscian argument regarding the neoliberal changes in the in the area of international labour migration, i.e. the increased attempts of states to regulate it within a temporary framework, subordinating the international mobility of labour to economic needs. There are, however, three important points that should be taken into consideration, as they illustrate that we cannot speak of linear path of change regarding the regulation of international labour migration.

The first important point is that different social forces have played a central role regarding some important changes in the *kafala* system. It has been illustrated that especially from the mid-2000s onward there emerged a range of legal changes/reforms regarding the working and living conditions of migrant workers. These have included changes regarding the payment of wages, contractual agreements, working conditions and accommodation criteria, as well as labour inspections. International labour and human rights organisations were important in this sense as they have continuously reported on the situation of migrant workers in the region and pressured for changes. These efforts »have been useful in raising international awareness about the conditions of migrant workers in the Gulf« (Hanieh 2015b: 226). More importantly, however, migrant workers themselves have on many occasions taken action in order to highlight problems they face regarding their working and living conditions. Thus, the Gulf region and especially the UAE faced many protests and strikes by migrant workers from the mid-2000s onward. This has to be considered important as these actions took place despite the fact that the rights of migrant workers to organise and take action are severely restricted in the region.

Beyond this, although protesting and striking migrant workers face harsh responses including detention and deportation, it has to be emphasised that »migrant workers in the Gulf continue to organise, protest and engage in a variety of different strategies of resistance, despite the very substantial barriers to such actions« (Hanieh 2015b: 226). That they took action is also an important fact, because »for the worker to struggle against a spatial identity that is solely constituted through their relationship with capital means, in a very real sense, to struggle against oneself.« (Hanieh 2011: 65). On the one hand, through these protests and strikes migrant workers were able gain some concessions from employers. On the other hand, they have also to be considered an important factor leading to legal changes regarding the working and living conditions of migrant workers.

The second important point is that although the *kafala* system is basically reflecting the neoliberal changes described in the theoretical parts of this study, it has to be noted that the roots of the *kafala* system reach back to before the emergence of neoliberal policies and seem not be the result of neoliberal changes. Naidu, Nyarko and Wharton (2014: 7) note that the institutional foundation for the kafala system was laid well before formal codification in the 1970s (see also Seccombe 1983, 1986, and Seccombe and Lawless 1987). In fact, AlShebabi (2015: 5-6) argues that Britain played a central role in the 19th century in organising the flows of migrant labour:

> »forming the starting point for a new type of population flow into the Arabian Peninsula. What particularly distinguished this new type of migration was the organised import of a workforce by a ›sponsor‹ (in this case, the British administration) that did not necessarily have any cultural or geographical connection with the region. Migrants were systematically brought in by the British to carry out the functions of colonial administration.«

In line with this, Jamal (2015), who has conducted archival work on the role of Britain on the regulation of migration in the former Trucial states, shows too that Britain played a central role regarding migration flows to the region from 1820 to 1970. Although the earlier waves of migration to the region have been welcomed by the rulers of the Trucial states because of their economic advantage as a cheap source of labour, »British authorities were more wary«, and the question of how to control migration flows was a recurrent theme for Britain until the independence of the UAE in 1971 (Jamal 2015: 616). Britain's aim was thereby specifically to limit the flows of Arab migrants who were perceived as a possible source of instability because of »the entry of subversives«; instead more migration from Asia, especially from the Indian subcontinent should be enhanced (Jamal 2015: 616; AlShebabi 2015: 6; Hanieh 2011: 61).[338] Importantly, later on »a confluence of interests

338 Jamal (2015: 623) cites an official British recommendation from 1948 stating: »The problem of finding suitable administrative officers for the interim period has the danger that if they are British, we may be exposed to charges of colonialism. On the other hand, if we direct the Sheikh's attention to the Arab countries of the Middle East, we would expose Sheikhs to the danger of a rapid infiltration of the political philistines of these countries which tend more and more to direct policy toward the ideal of Arab unity free from British influence«. Especially the Egyptian coup of 1952 and the rise of Arab nationalism led Britain to initiate a change in the composition of migrants in the region. Thus, the rulers were advised to stop the entry of Egyptian and Syrian teachers who might provoke political change in the region. An official exchange states that »Pending an increase in the output of teachers within the Gulf it may also be of benefit to explore the Sudan as a possible source for teachers as an alternative to Egypt and Syria« (cited in Jamal 2015: 623). Jamal (2015: 624) notes on this that »Britain sought to weaken the base of Arab nationalist support by firing and weakening ›problematic teachers‹ [...]. By the late 1950s, Abu Dhabi encouraged the entry of Jordanian teachers and appointed a Sudanese, Banaja Ali Amin, as the Director of Education. His mission would be to promote a ›politics-free education...‹« Other pro-British Zanzibaris and Sudanese were appointed to help Amin with this task.« In fact, Britain was involved in the management of labour flows within a broader geographical area. For instance, Britain also tried to regulate labour flows out of the Indian subcontinent. Thus, the introduction of passports in India in during the

would shape later migration policies: a UAE desire to limit Arab migration because of radical politics, and Britain's desire to limit the migration of certain groups to ensure that they remained key players in the development of the Federation« (Jamal 2015: 616).

But despite the fact that the origins of the *kafala* system reach back to the 19th century it remains to be noted that the system as such is consistent with the content of contemporary efforts to approach labour migration through a temporary framework and to subordinate it to the needs of capital. Worth mentioning in this context is, first, the increased prevalence of »employment-based visas« or »point systems« in the West which are aimed at granting visas to immigrants according to their benefit for the economy, i.e. which define »criteria that immigrants and/or their employers must meet to maximize the economic benefits of labor inflows«, and second that »employer sponsorship« is increasingly considered as »an efficient way to ensure that employers have access to needed workers and connect immigrants directly to the labour markets« (Rosenblum and Cornelius 2012: 253).

With a focus on the UAE, Cordeaux (2014: 40) notes that, »Although the UAE's migration policies may seem unique to the GCC, they resemble guest worker programs used in Europe's post war era, most commonly in Germany and Switzerland, and which are now re-emerging in the Global North, in countries such as Canada«.[339] She especially emphasises that the *kafala* system is structurally similar to the Temporary Foreign Worker Programme (TFWP) in Canada.

In another context, Dr Saeed Al Ghafli of the National Committee to Combat Human Trafficking said in a UN report regarding critics of abuses of migrant workers due to the *kafala* system that »Kafala is even in America. If you want to work in America you would need a work permit – this is the kafala system. The name is different, but it links worker to work« (cited in Salem 2013f). In fact, this point has been also put forward by the UAE Minister of Labour, Saqr Ghobash, by noting that the *kafala* system is not unique to UAE or Gulf countries but that:

> »What may distinguish the UAE and fellow GCC countries in this regard is that, unlike other countries that administer similar employment-related temporary residence programmes in parallel with other admission schemes, including permanent residency schemes or programmes that offer paths to permanent residency, the UAE immigration code does not provide for such alternative programs« (cited Almezel 2015).

That is maybe also the reason why Brunson McKinley, the then Director General of IOM, said in 2006 that »it is not fair to criticise the GCC countries migrant workers system. In principle the system is good, but workers' abuse in certain areas like the domestic and construction sectors can be dealt with to improve the mechanism further« (cited in Khaleej Times 16.11.2006).[340]

19th century »institutionalised a race discriminatory immigration regime and became an instrument of restricting the emigration of Indians to colonies and dominions of the Empire earmarked for whitesettler nationhood, like Australia and Canada«; insofar, Britain's aim to regulate labour flows was marked by the rationale that »›Free labour‹ migration had to be contained within geographically demarcated circuits where there was a great demand for it« (Singha 2006: 16).

339 Baldwin-Edwards (2011) too notes that there are similarities between the guest worker program in Germany and the *kafala* system.

340 He further noted that Europe tops the list of countries where the magnitude of migrant workers' problems is pretty high (Khaleej Times 16.11.2006).

Thus, the *kafala* system, despite its distinct historical origins, seems to fit the neoliberal idea regarding the effective management of labour migration in economic terms and does not seem to be abolished in the short period. This means that the regulation of labour migration in the Gulf countries will continue, despite the more recent legal changes in favour of migrant workers, to be primarily employer-focused.

The third important point is that although the *kafala* system represents a temporary framework for migration there are indeed many cases which illustrate that migration to the Gulf region is not always temporary, as many migrants spent many years in the region (Baldwin-Edwards 2011: 24; Kapiszewski 2006: 5). In the case of the UAE, for instance, AlShebabi (2015: 30) notes that »28.5 per cent of arrivals spent ten years or more in the country, making it difficult to consider these migrants as ›temporary‹.« Interestingly, Dresch (2006) reports from the field notes of a researcher on Kuwait who, sixty years ago, wrote that:

> »Most Kuwaitis I talked to about the immigrants . . . assumed they would soon be on their way. The labourers would have to return home once the construction work was finished, while young Kuwaitis now at school or in universities abroad would soon be able to take over the work of the better educated … it would not be many years before most of the population would again consist of Kuwaitis« (cited in Dresch 2006: 201).

As a result, the attempts to regulate international labour migration within a temporary framework might not always match up with the reality.

Nonetheless, it has been not too much the regulation of labour migration but rather the attempts of the UAE (and other Gulf countries) to nationalise the labour force that has been considered as a more serious hindrance for doing business. The pressure from nationals based on the presence of high numbers of migrants and the increased unemployment within nationnals resulted in a range of legal regulations to enhance Emiratisation in the UAE which have been strongly opposed by companies operating in the country. But Emiratisation has had only a limited success, and has been circumvented by operating companies as far as possible. The UAE government has initiated a policy change from primarily setting up quotas for nationals and preserving certain occupations for nationals, to a more market-based approach emphasising education and skill levels of nationals and the narrowing of the gap between wage levels of nationals and migrant workers. Yet companies have tried to circumvent Emiratisation requirements in many ways. This points to the fact that the government has been reluctant to enforce regulations on companies that could hinder their operations or constitute a hurdle for doing business. In fact, the note of the GFMD that »Private enterprises that wish to boost their competitiveness and expand their markets feel they must be able to recruit their employees much more freely and on a global basis« (cited in Boucher 2008: 1463) seems to have met the approval of the UAE government. What makes Emiratisation policies important is that they illustrate that the state cannot be considered independent of societal demands, and that Emiratisation policies perform a hegemonic function by reflecting the demands of social forces at the national stage.

Two more important points regarding intra-class aspects within the working class have to be mentioned in concluding this chapter. First, and importantly, Emiratisation policies have been predominantly focused on creating or enhancing job opportunities for nationals in highly skilled positions. The Emiratisation efforts in the private banking and insurance sector as well as the Emiratisation of jobs such as human resource managers or public relations officers indicate this effort. Al-Ali (2008: 368) notes in this context that these sectors »more closely reflected public sector conditions and remuneration levels« and that »these workplaces were selected to groom jobs to be attractive to Emiratis and encourage their continuation in the labour force.« The Minister of Labour, Saqr Ghobash himself noted that most of the jobs in the UAE are low-paid and labour-intensive so that they are not to be considered as suitable for UAE nationals (Al Makahleh, Badih and Sabry 2012).

As a result, although there are many public suggestions that UAE nationals should not be reluctant to join the private sector or that they even should not be afraid of doing »manual work« (Zaza 2006), this seems too difficult to become reality in the near future, as UAE nationals themselves do not see such jobs as suitable for themselves and as some companies often even complain about employing nationals in highly skilled positions.[341] Forstenlechner (2010: 239) notes in this context that »Gulf citizens see themselves as a natural middle class not accepting certain jobs and being prohibitively expensive to employ in such positions.« Therefore, Emiratisation is, for now at least, far away from expanding to cover those sectors where low-skilled migrant workers are employed and which continue to account for the majority of the employment in the UAE.

The second important point to be made relates to the diverging perceptions between national workers and migrant workers within the debate on Emiratisation. Thus, on the one hand, highly-skilled migrant workers fear that they will lose their jobs because of Emiratisation (Sands 2005; Constantine 2006). A study conducted by Rees, Mamman and Braik (2007) found out that there were indeed cases of increased fear within migrant workers that they would be replaced by Emiratis. One of the interview partners said in this context that »There were a large group of expatriates – mainly from Asia – who were extremely threatened by the process« (cited in Rees, Mamman and Braik 2007: 47). Another study found out that additionally, »Expatriates also have strong negative perceptions of citizens with regard to skills and competencies and cultural disposition« (Al-Waqfi and Forstenlechner 2010: 372; see also Gulf News 18.09.2004).

Finally, many studies point out that Emirati nationals are not satisfied with Emiratisation levels and criticise companies' approach of Emiratisation. One UAE national, for instance, said that »unscrupulous companies manipulate their Emiratisation ratios« which harms Emiratis (cited in Al Binali 2014). The perception of UAE nationals »as being low on work ethics (motivation and commitment to work)« is thereby mainly rejected (Al-Waqfi and Forstenlechner 2010: 372).[342] Beyond the fact that especially skilled migrant workers are perceived as »a threat to employment of the national workforce« there are in this context also reports and studies showing that migrant workers are accused by Emirati employees of not passing on their knowledge, as they fear to be replaced by Emiratis in

341 Thus, in 2010 a company noted that »We interviewed 35 locals recently, none of them liked the hours, or the work or any of the hardships. And our company employees are all highly skilled workers« (cited in Salem 2010b).

342 However, Al-Waqfi and Forstenlechner (2010) also note that they also encountered cases where Emirati nationals have internalised such a perception. They write »that citizens themselves appear to be accepting to some extent the negative stereotyping of citizens with regard to skills and competencies and cultural disposition. An internalisation of the negative stereotyping of citizens might be taking place here« (Al-Waqfi and Forstenlechner 2010: 372).

the long run (Al Ariss 2014: 1990, 1988).[343] A study conducted by Rees, Mamman and Braik (2007: 47) even noted that migrant workers »were categorized by the majority of the respondents as a major source of resistance to change, with the phrase ›expatriate mafia‹ being used […]. Some of the interviewees went as far as to suggest that expatriates were deliberately sabotaging the Emiratization programme«.

In summary then, on the one hand, Emiratisation policies, although not implemented on a full scale, remaining mostly unsuccessful and often circumvented by affected businesses, allow us to gain important insights into state-society relations in the UAE, as these policies seem to be serving hegemonic functions by reacting on and incorporating the demands put forward by social forces at a national stage. On the other hand, Emiratisation policies also allow us to gain some important insights into the rather less researched aspects of intra-class relations, which, as has been illustrated above, reveals important differences within the migrant working class, as well as between the migrant working class and the national working class.

343 Al Ariss (2014: 1988) notes that »Senior expatriate managers were sometimes perceived by Emirati middle managers working with them as trying to keep locals away in order to retain senior positions for themselves. Some of the Emirati participants felt that in these cases, expatriates would not be keen on training locals and developing their skills.«

8 Conclusion

This concluding chapter of the study will summarise the study followed by a more detailed discussion of the empirical and theoretical aspects which the study revealed. This will, on the one hand, include the empirical and theoretical limits of the study, which will also point to the aspects important for further research. On the other hand, however, this concluding chapter of the study will also highlight some important theoretical topics and pers-pectives which are worth considering for further research.

1. Summary of the study

Against the background of the contested debate on the increased international mobility of capital, people and information, the starting point of this study was if and why state policies towards the international mobility of capital and labour differ, i.e. whether state policies towards the international mobility of capital have become more liberal whereas state policies towards the international mobility of labour have become more restrictive, as has been often stated in the literature. More broadly, the study asked if and how we can provide a theoretical explanation of state policies towards the international mobility of capital and labour by using a single analytical framework incorporating both forms of mobility. The Gulf States, especially the UAE, were chosen as a case to approach the research question.

Analytically, the study proposed to focus on FDI as a form of internationally mobile capital and on international labour migration as a form of internationally mobile labour. Based on this analytical framing the study further tried to establish a definition of state policies towards both forms of mobility with a focus on laws that would allow us to approach these policies on a similar line. Importantly, and based on a discussion of the different dimensions of entry, operation, stay, work and exit, it was further argued, first, that the focus on laws should be explicitly embedded within a broader context, as laws, beyond providing the legal basis of the international mobility, also reflect economic, social and political processes; second, and deriving from the first point, that this makes it also necessary to incorporate different social forces at the national and international stage which are involved and/or affectted by these policies; and finally, that the political debate on policies towards both forms of mobility as well as the different dimensions of the trajectory of laws, i.e. their content, enacting and implementation, should be taken into consideration.

Based on these definitions the study then disclosed the lacuna within the literature along a triple chain of neglect: First, the considerable absence of the broader region of the Middle East within the field of IR/IPE, and the lack of connection between regional studies on the one hand and IR/IPE theory on the other hand. Second, the fact that the field of IR/IPE has been mainly interested in the underlying causes and economic effects of FDI largely neglecting the policy dimension so that state policies towards FDI have largely remained under-researched. Third, that the broader field of IR/IPE has systematically failed to incorporate international labour migration into its research agenda, whereas migration studies have strongly focused on the underlying causes and effects of international migration so that state policies towards international labour migration did not gain much academic interest for a long time. It has also been demonstrated that migration studies have strongly focused on South-North or East-West migration, consequently largely ignoring South-South migration and the related state policies.

The contribution of this study to the academic field was stated as, first, a theoretical attempt to bring in a region which has been largely absent or else approached from a Eurocentric view, and by doing so to contribute to the more recent debate on Eurocentrism in the field of IR/IPE; second, to provide an analytical framework which would allow us to approach state policies towards both the international mobility of capital and labour together and, by doing so, to contribute to overcome the considerable neglect of FDI policies and international labour migration and the related policies within the filed of IR/IPE; third and finally, to provide new insights into state-society relations in Gulf region which, based on the analysis of concrete state policies, could be considered as a contribution to regional studies.

Theoretically, the study explicitly stated its aim as to try to find a theoretical explanation for state policies towards FDI and international labour migration by resorting to IR/IPE theory. The study explored two dominant theoretical perspectives from the field of IR/IPE. Beyond largely reflecting the gap identified in the literature review, the critical discussion of these theoretical perspectives also revealed some important ontological and epistemological shortcomings, which was taken as the reason to chart a different path by resorting to the Neo-Gramscian perspective as an alternative theoretical perspective. This perspective, it was argued, provides a more comprehensive framework by putting emphasis on different units and levels of analysis, and by adopting a method of inquiry highlighting the importance of an historical and dialectical approach. Additionally, it has been illustrated that, more recently, the Neo-Gramscian perspective has tried to establish a theoretical framework to approach the international mobility of capital and labour together. Yet it has also been discussed that the Neo-Gramscian perspective cannot be considered immune against critics regarding its overall theoretical framework, as well as regarding the critics of Eurocentrism and the problems this reveals, especially in the context of the Middle East, which in turn could be addressed more appropriately through an empirical analysis.

Empirically, the study proceeded in three steps. In a first step, the study situated the Gulf region within the global political economy by analysing the historical and contemporary importance of the region with a focus on commodity and money flows and, by doing so, highlighted the importance of the region for the global political economy. The following two steps constituted the more detailed analysis of state policies towards FDI and international labour migration. The chapter on state policies towards FDI put focus, first, on the increased move of Gulf States towards a market-oriented development and the increased FDI to the region, which took place in this context; and second, on the more specific state policies towards FDI, which revealed a contradictory process between progress and stalemate reflecting the importance of different social forces at the national and international stage. The chapter on state policies towards international labour migration, after highlighting the history and trends of international labour migration to the Gulf region, focused on the regulation of international labour migration, revealing a contradictory process characterised by oscillations between a framework allowing relatively free mobility of labour on the hand and the attempts to replace migrant labour through nationalisation policies on the other hand. Here too, it was illustrated that this contradict-tory process reflects the importance of different social forces at the national and international stage.

The results of the study, as well as the theoretical and empirical considerations which arise out of these results, need some more discussion as they not only point to the limits of this study but also point to the need for further research.

2. Theoretical and empirical considerations

2.1. Theoretical considerations

The starting hypotheses of this study were: First, that the neoliberal transformation towards a new world order since the 1980s has resulted in state policies enhancing a market-oriented development in favour of privatisation and liberalisation, and that the Gulf States' policies cannot be considered an exception in this sense. This neoliberal change was, it was further assumed, also accompanied by emerging state policies favouring the internationally mobile capital, revealing itself in the increased attempt to attract FDI and providing legal regulations and incentives regarding the entry, operation and exit of FDI. Second, that within this process Gulf States' policies towards the international mobility of labour have come to be characterised by the subordination of this mobility to the needs of the capitalist economy within a temporary framework, revealing itself in legal regulations related to the entry, stay, work and exit of migrant workers. Third, however, that these policies constitute a field of struggle affecting and/or involving different social forces at a national as well as at an international stage, which have different interests. This reveals itself in contradictory tendencies in both policy fields, reflecting the struggle between nationally and internationally oriented capital on the on the one hand, and between nationals and migrant labour on the other hand.

The theoretical assumption of the Neo-Gramscian perspective was that the state in the periphery (»the neo-mercantilist developmentalist state«) is paramount, characterised by inducing economic and social changes on behalf of social forces which are not hegemonic. This form of state is further characterised by a control of the economy, including the access of international capital to the national economy. This is assumed to pose some problems for internationally mobile capital. Importantly, »neo-mercantilist developmenttalist states« are considered to have »induced capitalist development as a passive revolution within an authoritarian framework under state leadership for lack of any established bourgeois hegemony« (Cox 1987: 218), and to have »imported or had thrust upon them aspects of a new world order created abroad, without the old order having been displaced« (Cox 1983: 166). On the one hand, this study revealed important aspects that mainly confirmed the theoretical assumptions of the Neo-Gramscian perspective. It has been, for instance, demonstrated that especially since the 1990s the Gulf region witnessed an increased move to embrace neoliberal ideas, reflected in policies to enhance a market-oriented development. The strong emphasis on the importance of the private sector, as well as increased privatisation and liberalisation efforts, illustrate this move. This move reveals some limits, e.g. the exclusion of certain sectors from the private sector, the difficulties of privatising in some cases, and the fact that it has especially profited the existing and/or emerging capital at the national level. What makes it important though is that, contrary to the period up to the 1990s, neoliberal ideas seem to have been embraced by the states in Gulf region. Therefore, the state in the Gulf region has been the central actor at initiating economic changes and enhancing the private sector. Another important aspect of this change has been that the process in the Gulf region is also consistent with the theoretical assumptions, insofar as economic changes in the region have not been accompanied by substantial changes in the political structure of the Gulf States. Beyond the fact that the political structures did not really pose a challenge for economic changes they, in fact, offered advantages in the form of a stable social and political order characterised by strict control over labour relations and the protection of foreign investments.

On the other hand, however, there are three important points that should be taken into consideration. First, and importantly, this change has not been imposed upon the

Gulf States by international economic organisations or through structural adjustments programs. Although Gulf States maintained close ties to these organisations (and other private consulting firms) who assisted or urged the Gulf States at developing and implementting neoliberal policies, changes have been largely introduced out of the embracement of neoliberal ideas emphasising a market-oriented development through enhancing the private sector. Although the aim to diversify their economies has been an important aspect hereby, this nonetheless points to the Gulf as a case where change in a neoliberal sense is not forced upon states but embraced out of »conviction«.

Second, despite important changes in the Gulf region as a result of the embracement of neoliberal ideas and policies, the assumption that the »Thatcher-Reagan model« (Cox 1987: 286) – putting emphasis on limited government spending, labour market reforms and »the removal of the state from a substantive role in the national or global economy, except as a guarantor of free movement for capital and profits« (Cox 1996: 31) – seems to be problematic in the specific case of the Gulf States. The state has not only maintained its importance for the economy, but the still high shares of public spending, public employment, as well as the difficulties in directing the national labour force to the private sector pose important contradictions in this sense. Additionally, as has been shown in this study through analysing FDI policies and the limitations on the mobility of FDI regarding certain sectors and geographical locations, the state cannot generally be considered »as a guarantor of free movement for capital«.

Third, an excessive focus on structural changes at the international level assumed to put constraints upon states may easily result in neglecting important social configurations at the national level. A one-way diffusion from the international to the national level, whereby the state is granted a dominant position, would not only leave out the importance of social forces at a national level but also the significance of the interrelationship between nationally and internationally oriented social forces at a national and international stage. The analysis of FDI policies in the UAE in particular has revealed how important social forces at the national stage are, and that establishing policies in favour of the internationally mobile capital may not always be successful.

Regarding the more specific topic of state policies towards the international mobility of capital and labour, the theoretical assumption of the Neo-Gramscian perspective was that, in the context of neo-liberal changes, state policies are becoming more favourable towards FDI, but that they are also leading to contradictions attributable to diverging interests of nationally and internationally oriented social forces. State policies towards the international mobility of labour, on the other hand, are assumed to be characterised by the fact that the international mobility of labour is increasingly becoming subordinated to the needs of capital, whereby states have increasingly begun to opt for a framework of temporary labour migration.

On a more general level, the study has revealed that it would be too short-sighted to assume a general trend that state policies are becoming more liberal towards the international mobility of capital, whereas state policies towards international labour migration are becoming more restrictive. Such a strong dichotomisation, it turns out, casts a cloud over the fact that both policy fields constitute a field of struggle reflecting the importance of different social forces at the national and international stage. Although a trend towards a framework subordinating the international mobility of labour to capital is indeed observable, this process is not a linear one but reveals important contradictory conjunctures. In the case of state policies towards FDI it has been shown that the UAE has pursued liberal policies in order to attract FDI investments. But these policies, largely reflecting the trend of a neoliberal move and the interests of internationally mobile capital, reach their limits when nationally oriented capital is brought in into the picture. Thus, the legal attempts to allow more foreign ownership rights have been continuously opposed by social forces at the national stage so that further developments came to a halt. Equally, state policies towards international labour migration reveal that there is a framework subordinating the international mobility of labour to the needs of capital. Yet, and although to a limited extent, international labour and human rights organisations, as well as migrant workers as a social force, have been able to push for changes. More importantly facing pressures from social forces at a national stage, the UAE has been trying to nationalise the labour force. Although these attempts remained less successful they nonetheless illustrate that the state had somehow to incorporate demands put forward by nationally oriented social forces. Beyond this, it has been illustrated that the *kafala* system, although not in contradiction to a neoliberal approach of the international mobility of labour, historically dates back to before the emergence of neoliberalism, and should not be seen, consequently, as resulting from neoliberal attempts to regulate the international mobility.

What the case of state policies towards the international mobility of capital and labour illustrates is, first, that it is important to take into account different social forces involved or affected by these policies. As has been shown in the specific case of the UAE, the combination of the international and internal relations, and especially the »fractionalisation of capital and labour into transnational and national social forces alike« (Morton 2007a: 124), is important in this context. Furthermore, it has to be noted that there are important differences between the emirates in the UAE (Young 2014: 59-75). Thus, regarding differences, especially regarding the dominance of Dubai and Abu Dhabi, it becomes obvious too that the »relation between international forces and national forces is further complicated by the existence within every State of several structurally diverse territorial sectors, with diverse relations of force at all levels« (Gramsci 1971: 182).

Second, it would be wrong to conceive of the state as an entity independent of the society. The trajectory surrounding the CCL in the case of state policies towards FDI and the trajectory of Emiratisation policies in the case of state policies towards international labour migration have, although to varying degrees, illustrated that the state cannot disregard demands put forward by social forces at a national stage. This point is especially important as it seems to contradict one of the main theoretical assumption of the Neo-Gramscian perspective, namely that the periphery is characterised by non-hegemonic societies where »power is based more strongly on coercion, and effected directly through the state« (Overbeek 2002b: 2012). What these two points indicate is that there is a need for more theoretical and empirical research on processes and effects of consensus in the Gulf States regarding policy formulations.

2.2. Empirical considerations

It has to be noted that the results of the study pose some important empirical considerations that should be taken into account. Three such empirical considerations are worth touching upon in particular, as they pose a great relevance to the scope and content of this study by pointing to its limits, and highlighting the need for further empirical research. These three empirical considerations refer, first, to the differences regarding state policies towards FDI and international labour migration between the UAE and other Gulf States, as well as within the Gulf region as a whole; second, to the analytical exclusion of different forms of internationally mobile capital, as well as of different groups of migrant workers in the Gulf region; third and finally, to the role of source/sending countries of capital and labour.

To begin with, the first set of empirical considerations regards the similarities and difference within the Gulf region. Although different parts of this study have approached the Gulf region as whole, the empirical part on state policies towards FDI and international labour migration has focused on the UAE, leaving out the developments in other Gulf States. One could, of course, be attempted to generalise the specific findings in the case of the UAE to other Gulf countries, as there are important similarities between Gulf States. For instance, beyond belonging to the same geographical region, Gulf States are most commonly assumed to have similar political structures and economies with a strong dependence on natural resources (oil and natural gas). Importantly, and has been shown in this study, especially since the 1990s all Gulf States have also started to emphasise a market-oriented development by enhancing the private sector and by introducing privatisations and liberalisations. The increased attempt to attract FDI; the dependence on migrant labour and the regulation of international labour migration within the framework of the *kafala* system; and the implementation of nationalisation policies are other important similarities.

However, an excessive focus on these general similarities could easily detract from important existing differences between the Gulf States regarding state policies towards FDI and international labour migration. Regarding state policies towards FDI, it should be noted that the liberalisation of FDI policies in the Gulf States diverges temporally and reveals differences regarding the scope of changes. For instance, although certain sectors in Kuwait still limit foreign ownership to 49%, the government introduced laws as early as the 1990s in order to push for changes, and a law introduced in 2001 allowed 100% foreign ownership in certain sectors (Roberts 2011: 99-103; Hussein 2009: 368). Equally, Oman too allowed 100% foreign ownership in most sectors (Hussein 2009: 368), while Qatar has liberalised its FDI regime so that »foreign participation in investments in Qatar now may include majority ownership throughout most of the economy, including finance, construction and ICT services« (Sheikh Ahmed bin Jassim Al-Thani, Minister of Economy and Trade, cited in WTO 2014a: 6; see also Hussein 2009: 368). Bahrain, which has been often praised for its »liberal business environment« regarding FDI (Khalid Al Rumaihi, Chief Executive of Bahrain EDB, cited in Toumi 2016a) and for offering »the best value proposition« (Sheikh Mohammed bin Essa Al Khalifa, the CEO of the Bahrain EDB, cited in Attwood 2010b), is another example. Thus, over the years Bahrain revised its CCL to allow more foreign participations, with the result that since 1991, 100% foreign ownership is allowed in many sectors (WTO 2000a: 43; WTO 2000b: 10). Bahrain now »has one of the most open legal environments for foreign direct investments in the region, with full foreign ownership permitted in most sectors of the economy« (Kinninmont 2011: 48; see also WTO 2014a: 26; Hussein 2009: 368). Finally, Saudi Arabia, one of the most important countries attracting FDI, has introduced a Law on Foreign Direct Investment in April 2000 changing the requirement for 51% Saudi ownership and thus allowing 100% foreign ownership in many sectors (Niblock 2007: 188-189; Hussein 2009: 368).

Regarding state policies towards international labour migration, it should be noted that the *kafala* system is present in all Gulf States and the basic rationale that migrant workers are economically cheap and politically reliable seems to be true for all Gulf States. But, as has been already mentioned in this study, important changes were made to this system in some Gulf States. Whereas the changes in the UAE have been discussed in more detail in this study, there were also, despite causing »an outcry among businesses« (Kinninmont 2011: 53; see also Dito 2015: 83), changes in Oman (2006) and Bahrain (2009), which now allow migrant workers to change employers without their existing employer's permission. More specifically, in Bahrain the responsibility for bringing in migrant workers shifted from sponsors/kafils to a state institution, the Labour Market Regulatory Authority (LMRA), which was established in 2008 (Hertog 2014: 11; IOM 2010: 210; IOM 2011: 76; Kinninmont 2011).[344] Additionally, whereas Kuwait announced in September 2010 that it had the intention to abolish the *kafala* system (IOM 2010: 210; IOM 2011: 76), more recently Qatar also announced that it would replace the *kafala* system with a new system (Migrant Rights 09.11.2015). Importantly, in Saudi Arabia »foreign companies were given authority to act as sponsors for non-Saudi staff« (Niblock 2007: 189; see also Aulaqi 2014) which basically means the reduction of dependence on national sponsors. On the other hand, however, especially in Qatar and in Saudi Arabia, there are still restrictive regulations on migrant labour, including the need for an exit permit from the sponsor/employer in order to leave the country. Attempts to change the system in Saudi Arabia have been strongly criticised by locally operating businesses, with a Saudi businessman even arguing that any changes to the system, including the allowance of migrant workers to transfer their sponsorship without obtaining approval from their employers, would »allow [migrant] workers to exploit employers« (Arabian Business 11.05.2014).

On a similar line we can also see similarities regarding nationalisation policies. Thus, all Gulf States have implemented nationalisation policies and expressed their intention to reduce the numbers and share of migrant workers at the labour force (Hertog 2014). It is also observable that the Gulf countries have started to prefer a more market-driven approach for nationalisation than simply setting up quotas. There are also similarities regarding the opposition of companies to nationalisation efforts. In Bahrain, for instance, nationalisation »has encountered stiff resistance from employers who objected to the increase in their wage costs« (Kinninmont 2011: 51). When the Bahraini government introduced a 26.59 USD fee for each migrant worker, nearly 100 companies announced the halt of production for one day (Billing 2009). Similarly, nationalisation policies in Saudi Arabia and Oman have also been criticised by companies that prefer to employ migrant workers (Al-Asfour and Khan 2014; Balwind-Edwards 2011: 52). The more recent Saudi

344 Hertog (2014: 14) notes that more recently some businesses have demanded the abolition of the LMRA.

attempt called *Nitaqat* has especially been subject to harsh critics from companies, which opposed these attempts and forwarded their grievance to the government as well as to the advisory council (Ulrichsen 2016: 16).

Yet there are also important differences regarding the scope, effects and results of nationalisation policies. In Bahrain, for instance, the share of nationals employed in the private sector is higher than in the other Gulf countries, which means that the competition between nationals and migrant workers is higher. Therefore, as Kinninmont (2011: 52) notes, »The ease of recruiting low-paid foreign workers with few legal rights has helped businesses keep their costs down. But this has reduced job opportunities for Bahraini and this has led to some social tensions.« Another example is Saudi Arabia, where the national population with 28 million is much bigger than in other Gulf countries (Thiolett 2016: 4) and where around 1.5 million Saudi nationals work in the private sector (mainly non-managerial positions), accounting for 15% of all private sector workers (Ulrichsen 2011a; Yamada 2015). Despite the ongoing strong dependence on migrant workers in Saudi Arabia (Yamada 2015; Al Ariss 2014), the country is one of the Gulf countries with the longest history of attempts to nationalise the labour force. Especially the more recent attempt of *Nitaqat* resulted in the departure of around 1.4 million migrant workers from the country since 2013 (World Bank 2015: 20). The number of Saudi workers in the private sector, on the other hand, increased to more than 1 million between 2011-2013 (De Bel-Air 2015b: 17). This is the reason why Saudi attempts to nationalise the labour forces have been described as »proactive and even aggressive« (Baldwin-Edwards 2011: 51).

In brief, first, there are existing differences between the UAE and other Gulf States regarding the development of FDI policies. These differences do not mean that the process regarding FDI has come to a conclusion in the other Gulf States. Additionally, these differences should also not obscure the fact that the FDI regimes of these countries are still subject to critics.[345] What these differences simply imply is that there are important differences within the Gulf States on the one hand, and between the UAE and the other Gulf States on the other hand. Second, despite having a similar structure at regulating the international labour migration and similarities between nationalisation policies, there are also important differences regarding changes/reforms of the *kafala* system and keeping up more restrictive regulations, as well as regarding the scope and effective implementation of nationalisation policies. Thus, these differences should be subject to further research and to a more detailed empirical analysis. Such an analysis would not only shed more light on the specific processes within the other Gulf States and explore the importance of structural changes and the role of different social forces. It would also provide important insights regarding the central argumentation of this study in the case of the UAE.

Finally, this study has illustrated in the case of the UAE that the FNC, especially regarding its attempts to hinder more foreign ownership rights as well as its pressure for Emiratisation, has to be considered as an important institution at approaching state policies

345 For instance, Qatar was criticised by the EU, which recognised Qatar's improvements but called on Qatar to remove remaining restrictions in other sectors including state-owned companies. Similar critics were also put forward by the US and other Western states (WTO 2014a). And in Bahrain, for instance, there are still discussions on the CCL and more favourable conditions regarding FDI (WTO 2007a; WTO 2014b).

towards both forms of mobility. Similar institutions like the FNC also exist in other Gulf States. There are, for instance, advisory councils both in Oman and Qatar. Whereas the process of consultation has been coded in the Basic Law of Oman (Valeri 2011: 143), the members of the council in Qatar are appointed by the ruler in consultation with other members of the ruling family and tribal leaders (Wright 2011: 119-120). In Kuwait, which has one of the most developed representation systems in the region with an elected parliament (Herb 2009), there are also consultation processes, whereby Roberts (2011: 92) notes that the ruling family »has been sewn into the fabric of Kuwait's politics and society not so much through dictatorial methods but rather by conciliation and wholesale co-option in the post-oil era.« In the case of Saudi Arabia there is also an advisory council whose members are appointed by the ruler and are »representing a broad cross-section of merchants, technocrats, civil servants, religious elites, retired military personnel and academics« (Ulrichsen 2011a: 70). But these institutions have been considered as relatively powerless. In the case of Saudi Arabia, for instance, Ulrichsen (2011a: 70) notes that the council »remains a consultative rather than legislative body, and the centre of decision-making power has stayed in the hands of the king and a circle of senior members of the ruling family.« Yet, the case of the FNC in the UAE, which has been also portrayed as relatively powerless, shows a different picture. Therefore, the role of advisory councils and/or social forces at the national stage in the other Gulf States and their impact regarding state policies towards FDI and international labour migration is also a topic that is in need of a more detailed empirical analysis.

Beyond the above elaborated first set of empirical considerations regarding similarities and differences within the Gulf region a second set of empirical considerations should be mentioned here which considers the analytical scope of this study. The analytical focus on FDI as a form of internationally mobile capital and on international labour migration as the international mobility of labour proved useful at approaching state policies towards both forms of mobility. But, importantly, it has largely neglected other existing forms of internationally mobile capital as well as important differentiations within internationally mobile labour.

For instance, although the introductory parts of this study stated that capital can be internationally mobile in different forms, i.e. as money capital, commodity capital or productive capital, and that these flows are in reality interrelated, the analytical focus has been on FDI and the related state policies. Yet it is widely acknowledged that especially from the 1980s onward financialisation has become an important aspect of the global political economy. It has been also illustrated in this study that money flows from the Gulf region have to be considered as an integral part of the global financial system. What has additionally to be noted is that there has been also an increased financialisation process within the Gulf region, which also had influences on the broader region of the Middle East (Abboud 2011; Momani 2011; Hanieh 2011). There is also a growth of Islamic finance in the region that contributes to the development of Islamic finance worldwide (Wilson 2012; Young 2014: 49-51). Importantly, there are also differences regarding financial flows to the Gulf region. For instance, Bahrain and the Emirate of Dubai (often in competition to each other) have established themselves as important financial centres of the region, so that the number of commercial banks in Bahrain increased from just 19 in 2000 to 133 in 2010 with an additional of 270 non-bank financial institutions (Kinninmont 2011: 49; WTO 2000b: 6). Moreover, regarding commodity flows all Gulf countries have Commercial Agency Laws which make the import of commodities to the Gulf region dependent upon the existence of a national partner (Hanieh 2011: 60-70). Therefore, a more comprehensive and empirically grounded approach incorporating international financial flows and commodity flows to the region and a more detailed empirical analysis of the related state policies could deliver more insights into the economies and politics of the region.

Regarding the international mobility of labour, it has been mainly low-skilled workers who have been the main focus of this study, so that an analysis of state policies towards other groups of migrants has been mainly out of the scope of this study. Yet, although low-skilled migrant workers constitute the majority of migrant workers in the region, there are important differences between these different migrant groups. For one, the Gulf region has also attracted highly skilled migrant workers who have different living and working conditions and, in some cases, also different perceptions of the receiving countries. These differences between low-skilled and highly skilled migrant workers have been also emphasised by others (e.g. Tong 2010). Molavi (2007), for instance, reports in the case of Dubai that whereas Indian professionals quip that »Dubai is the best city in India« for low-skilled migrant workers, »Dubai is a dead end«.[346]

Beyond highly skilled migrant workers there are also many domestic workers in the Gulf region who build an important part of migrants in the region, e.g. accounting for 10% of labour force in the UAE (Salama 2009b), and constitute a central element of the overall social reproduction process within the Gulf region, but are usually excluded from of the scope of labour laws and face severe working and living conditions (Amnesty International 2014; Jarallah 2009; Sabban 2004; Shah 2004b). Finally, sex workers, especially in Dubai (Mahdavi 2012; 2011: 61-89), as well as undocumented migrants, also constitute an important part of migration in the Gulf region. It is especially noted that undocumented migration has been »a widespread phenomenon throughout the GCC« (AlShebabi 2015: 26; see also Mahdavi 2012, 2011: 125-147; Birks, Seccome and Sinclair 1988: 270). According Baldwin-Edwards (2011: 38), in the late 1990s undocumented migrants accountted for some 10% of the Gulf population and 15% of the labour force. In 1997, there were about 700,000 undocumented migrants in Saudi Arabia, 300,000 in the UAE and 100,000 in Qatar (AlShebabi 2015: 26; Baldwind-Edwards 2011: 38).[347]

The importance of the existence of differences within the migrant working class is also reflected in the fact that, whereas highly skilled migrant workers are often called »expat-

346 Note that there also differences within the group of highly skilled migrant workers. Vora (2012: 790-791), for instance, notes that highly skilled migrant workers from America or Europe receive higher salaries than those from South Asia, Africa or other Arab countries.

347 In fact, undocumented migration to the region has been a phenomenon encountered in the region also in the earlier periods. For instance, asked on the presence of undocumented migrants Sheikh Rashid bin Said Al Maktoum, who ruled in Dubai until 1990, responded »What is the problem, so long as they are paying rent in Dubai?« (cited in Jamal 2015: 618). Equally, the British power was also aware of this phenomenon, which it did not see as favourable but as an economic necessity. One British resident officer noted on this situation in 1967: »I fear there can be no really satisfactory solution to the problem of undesirables drifting down the Gulf by sea. Theoretically, the way to prevent this is to set up an effective immigration control at point of entry in the receiving country. But this simply is not possible in the Trucial States, nor indeed might it be desirable given the present shortage of labor throughout the Trucial States« (cited in Jamal 2015: 618).

riates«, low-skilled migrant workers are simply called »workers« or »labourers« (Bristol-Rhys 2010: 25-26). Important too is that although the term »expat« also refers to a foreign population and although »expats« are in the end also »labourers« (Vora 2012, 2015), the term »carries classed and raced meanings that privilege Western-educated, middle-class, English-speaking people, and decidedly *not* the scores of South Asian ›migrants‹ who are the subject of Human Rights Watch reports and government and private-sector efforts to ›clean up‹ neighbourhoods and malls in Dubai« (Vora 2012: 790, emphasis in original). In fact, highly skilled migrant workers themselves also »do not consider themselves as to be migrants in any sense of the word. They are ›living abroad and working‹, but are not migrant workers« (Bristol-Rhys 2010: 25-26).

In brief, there are different groups of migrant workers within the Gulf region who have different living and working conditions as well as different perceptions of each other, of their employer, of the country they live and work in. Yet the strong focus in the literature on the labour market segmentation has hindered to look at »the very real divisions within the expatriate workforce« (Willoughby 2006: 226). Therefore, building upon the more recent attempts to approach these differences (e.g. Bristol-Rhys 2010; Vora 2009, 2012, 2015; Willoughby 2006), a differentiated empirical analysis of these intra-class differences as well as the more specific state policies towards these different groups of migrant workers constitute an important topic to focus on in further research. Further research on this point is also important because some scholars argue that »Control of migration and differential treatment of various categories of migrants have become the basis for a new type of transnational class structure« and that states »compete to attract the highly skilled through privileged rules on entry and residence, while manual workers and refugees often experience exclusion and discrimination« (Castles, de Haas and Miller 2014: 35, 7).

Finally, the third set of empirical considerations considers the fact that this study has exclusively focused on state policies of the receiving states, i.e. UAE's state policies towards FDI and international labour migration. Sending or source countries of capital as well as labour have been largely left out. Yet, as has been already pointed out in this study in the case of India, on the one hand, the overall economic relations between India with the Gulf region, especially regarding FDI to the Gulf region, has witnessed an increase during the last years. India is one of the main source countries of FDI in the Gulf region, especially in the UAE, and the number Indian firms investing the region steadily increased. It has been thereby noted by some scholars that the Indian state has actively supported Indian investments in the region and »safeguarded« companies already in the region (Heller 2015).

Regarding international labour migration, on the other hand, it has been often noted by scholars that migrant sending states have, out of different reasons, remained ineffective regarding the problems and rights of especially low-skilled migrant workers (Davidson 2014; Heller 2015; Weiner 1982).[348] In the case of India, the official declarations of the

348 The high amounts of remittances sent by Indian migrant workers, especially from the Gulf region, constitute such a reason. Note, however also the remark by Weiner (1982) that in the 1970s and 1980s the Indian state has attempted to restrict migration to the Gulf region due to the working and living conditions as well as due to the mistreatment of workers. This attempt has been criticised by those Indians who wanted to migrate to the Gulf region so that the restrictions were eased again. Davidson (2014: 276) reports from the case of the Nepalese ambassador to Qatar who has criticised the situation of their nationals in Qatar »was, however, promptly recalled to Kathmandu within days.« Important economic

Indian state to focus on the problems of Indian migrant workers in the Gulf region has thus far remained limited (Misra 2015). Heller (2015) emphasises in this context that Indian embassies in the Gulf countries have not visited the labour camps of the workers, with the excuse of not having enough staff, and that, however, the embassies are not that reluctant if it comes to »safeguarding« companies/employers in the region.[349]

Zachariah and Rajan (2011) also note that their study revealed that only a small minority of workers in the Gulf region has approached the Indian embassy regarding problems and that only half of them got a positive response from the embassy. More recently, the Indian Prime Minister Narendra Modi paid a visit to Saudi Arabia in April 2016 and both states concluded economic, political and defence agreements. During this visit the Prime Minister also met with the representatives of the three million Indians in Saudi Arabia but did not mention or conclude any agreement on the working and living conditions of Indian migrant workers (Hindustan Times 03.04.2016; Panda 2016). During this visit Malayalam TV channels in Kerala critically reported on the fact that the Prime Minister did not mention the working and living conditions of the Indian migrant workers and asked why he did not visit any of the labour camps.[350]

The Indian state has been also criticised in the context of deportations for not taking the necessary steps to deal with the problems which result from deportations. Although India has established the Overseas Workers Resource Centre (OWRC) in the UAE (Dubai) and intends to set up another one in Saudi Arabia, the functioning of these centres is considered debatable (Heller 2015; The Economic Times 05.06.2016).[351] Additionally, some of the cases of workers' protests and strikes in which Indian migrant workers also took part illustrate that the Indian state, instead of advocating for the demands of the Indian migrant workers, puts more emphasis on respecting the laws of the countries they work in. For instance, as in 2014, a group of Indian women migrant workers from Kerala went on a strike in Saudi Arabia to demand better salaries, the Indian Embassy declared that »the embassy would like to alert all Indian nationals in the Kingdom of Saudi Arabia against the nefarious attempts of such selfstyled social workers and illegal agents« and added that »Anyone who is found to be in violation of Saudi laws and indulge in strike-related activities would face penalty, imprisonment and deportation by Saudi authorities« (cited in Migrant Rights 29.10.2014 and The Times of India 23.03.2014).

From this backdrop, there is a need for more empirical research on the role of sending states during the entire migration process. In the case of Indian labour migration to the Gulf region this refers to the need for more research on the underlying reasons for the

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linkages through investments, oil and remittances are other reasons put forward for the reluctance of the sending states to deal effectively with migrant workers' problems.

349 Heller (2015: 711-712) notes that »In a reply under the Right to Information Act, 2005 (RTI) dated 18 June 2013, the EoI [Embassy of India] in Kuwait admitted that if a complaint is received from an Indian worker working in a reputable company, and if no previous complaints have been received against the company, then there will be no labour camp visits to investigate the complaint lodged by worker(s). This practice by the EoI clearly showed how far the EoI distanced itself from workers in getting out of trouble.«

350 Personal communication with Prof. T. V. Sekher form the International Institute for Population Sciences, Mumbai, India, 15.06.2016.

351 In fact, Kerala is the only state in India that provides a pre-departure training programme and encourages returnees and assists them through a welfare scheme through the Department of Non-Resident Keralites Affairs (NORKA) (Heller 2015: 710).

specific attitude of the Indian state towards Indian migrant workers, which should include both the perceptions of the migrant workers and the perspective of the Indian state. Additionally, the few studies attempting to comparatively analyse how different states/embassies deal with the problems of migrant workers (e.g. Heller 2015; Rajan and Mishra 2007) should be further developed and empirically extended, especially in the context of the general problem of migrant rights in the Gulf region (Hanieh 2015b; Martin 2012; Keane and McGeehan 2008).

In brief, then, in approaching state policies towards the international mobility of capital and labour there is also a need for more research at approaching and incorporating the state policies of source or sending countries of capital and labour. In the specific case of India, the driving forces behind the increased international mobility of capital and labour; if and to what extent state policies of India play a role in this process; if and what kind of differences the policies towards Indian investors and Indian migrant workers can be observed and explained are important aspects which should be incorporated into the analysis for further research and could deliver important insights.

In fact, the case of capital and labour flows from India to the Gulf region constitute an interesting case. On the one hand, and more generally, capital and labour flows to the Gulf could be considered as a case of »double transnational mobility« (Altreiter, Fibich and Flecker 2015) as there is in this specific case internationally mobile capital investing in the Gulf region and thereby primarily employing migrant workers. What makes the case of India more interesting in this context is, however, that we have in this case a »double transnational mobility« from the same country to the same region. The increased investments of Indian companies as well as the high numbers of Indian migrant workers in the region have already been mentioned. Therefore, the case of capital and labour flows from India to the Gulf region could offer a case to bring the concept of the »double transnational mobility« a step further by asking whether and to what extent this specific constellation of capital and labour flows from India to the Gulf region could also be considered as a spatial relocation of class relations.

3. Recommendations for further research

The recommendations for further research which result out of this study can be illustrated at two levels. On a first empirical level, the recommendations for further research especially arise out of the empirical considerations discussed above.

First, it has been illustrated that capital can be internationally mobile in different forms and that there are important differences within the internationally mobile labour. This indicates that further research could focus on a more detailed empirical analysis incorporating different forms of internationally mobile capital and labour, and the related state policies. Second, the focus of this study was almost exclusively on the policies of receiving/target countries of internationally mobile capital and labour. Yet further research asking if and to what extent sending/source countries of capital and labour and their policies play a role, particularly through establishing an analytical framework which allows to consider policies of both states, could provide important new insights. Third, further research could apply the analytical framework applied in this study to approach state policies towards the international mobility of capital and labour not only to other Gulf

States but also to other states, including those in the West. This would allow us to arrive at more comprehensive conclusions and build the basis for a comparative analysis. A fourth topic for further research relates to the specific case of the regulation of international labour migration. It has already been mentioned that the *kafala* system, despite its distinct historical emergence, is in accordance with neoliberal attempts to subordinate international labour mobility to the needs of capital within a temporary framework. Further research could try to elaborate the assumption of increased attempts to regulate international labour migration within a temporary framework, thereby closely linking migrant labour to capital on a global level and ask in this context whether and to what extent the »Gulf model« (*kafala*) goes global. Fifth, and finally, this study has put a special emphasis on social forces and the making of state policies towards the international mobility of capital and labour. Further empirical research could focus more closely on other fields of policy in order to find out whether there are similarities and/or differences compared to state policies towards FDI and international labour migration, which could confirm or disprove the basic argument of this study.

Beyond the primarily empirical topics mentioned above there are also theoretical aspects worth considering for further research. Three such topics stand out. First, although this study has resorted to the Neo-Gramscian perspective, its primary aim was to deduce theoretical assumptions on state policies towards the international mobility of capital and labour in order to approach the research question. This has proved some important empirical and theoretical insights. But further research could focus more systematically on the application of the overall theoretical framework of the Neo-Gramscian perspective to the region, especially in the context of the neoliberal period. This would include more detailed analysis of the specific configuration of material capabilities, ideas and institutions at a national level, and their importance at the levels of social relations of production, forms of state and world orders. Together with a more careful conceptualisation of "hegemony" (see on this Scherrer 2011), this could provide a more comprehensive understanding of the Gulf region.

Second, different parts of this study have engaged with the question of Eurocentrism within the broader field of IR/IPE. In this context, these parts critically reviewed theoretical perspectives and tried to illustrate the importance of the Middle East/the Gulf region for the global political economy, as well as the impacts these had on state-society relations and political structures in the region. What has been characteristic of the debate on Eurocentrism, however, is that there is a strong focus, first, on »oriental globalization« (Hobson 2004), i.e. on economic and technological developments in the non-West before the rise of capitalism in the West; and second, on the fact that the non-West (including the Middle East and the Gulf region) has been historically central to the development of capitalism in Europe through different channels (e.g. trade, finance, invention, technology). However, it is precisely this kind of approach which has been aptly criticised by Wallerstein (1997) as »anti-Eurocentric Eurocentrism« because »it accepts the significance […] of the European ›achievement‹ in precisely the terms that Europe has defined it, and merely asserts that others could have done it too, or were doing it too« (Wallerstein 1997: 102).[352] This critique should be taken seriously and implies the need for further

352 »And worse still«, notes Wallerstein (1997: 102) in this context, »there is the implication, not too far beneath the surface, that, given half a chance, Chinese, or Indians, or Arabs not only could have, but

theoretical engagement with Eurocentrism, including critically questioning the critiques of Eurocentrism in order »to find sounder bases for being against Eurocentrism in social science, and sounder ways of pursuing this objective« (Wallerstein 1997: 104). Equally important in this context is the need for further theoretical and empirical engagement with what Demir and Kaboub (2009: 78) have called »indigenous Eurocentrism«, i.e. that assumptions underpinning Eurocentric views can be and are also adopted by those in the non-West (see also Halliday 1993). Therefore, further research could also engage more systematically with this concept and empirically analyse studies and attitudes in the non-West, including but not limited to the Middle East and the Gulf region, which are of relevance to the debate on Eurocentrism. Important in the context of Eurocentrism is also to overcome the strong focus on Western sources and perspectives for instance by including sources in the local language (e.g. Arabic) and incorporating local perspectives into the analysis. Such an undertaking, which is also absent in this present study, would certainly result in a sounder analysis.

The third, and equally important theoretical aspect for further research is if and to what extent the concept of »uneven and combined development«, often also considered »as a theoretical antidote to Eurocentrism in IR« (Rioux 2015: 483), could be made useful for the approach of the Gulf region. This concept, initially introduced by Leon Trotsky »to analyse the ›peculiarities‹ of Russia's social structure as outcomes of a wider and specifically *inter-societal* process of historical development« (Rosenberg 2010: 165; emphasis in original), has more recently gained increased academic interest (e.g. Allinson and Anievas 2009; Ashman 2009; Rosenberg 2010). The underlying assumption is thereby that »The human social world is […] not only *illuminated* by the *comparative* fact of difference among societies in space and time […], it is also partly *shaped* by the interactive consequences of inter-societal coexistence« (Rosenberg 2016: 297; emphasis in original).

Although there are some studies which have applied the concept to the Middle East (e.g. Allinson and Anievas 2009; Matin 2007; Nisancioglu 2013), the Gulf region has been not part of these attempts yet. But especially two implications of the concept could be useful at approaching the Gulf region. First, »that the dynamics of capitalism, while powerful and in certain respects homogenising, necessarily interact with local conditions and people who are seeking to pressure or determine their own positions in society« (Taylor 2014: 138); and second, the concept could prove useful for approaching the problem of »political multiplicity« (Rosenberg 2010). Worth mentioning for further research is, in this context, not only the ongoing debate on the combination of traditional political structures and economic »modernization« in the Gulf region, but also the historical development of the region within »the international«, resulting in historical instances of economic stalemate and changed political structures; the state formation processes in the Gulf region; as well as the role of global connections (including Western states and oil companies) at establishing migration policies in the Gulf region. Additional research resorting to the concept of »uneven and combined development« would not only further contribute to the breakup of the theoretical prison the Gulf region is locked-in (rentier state theory and modernisation theory), but could also provide new insights shedding a new light on the Gulf region.

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would have, done the same – that is, launch modernity/capitalism, conquer the world, exploit resources and people, and themselves play the role of evil hero.«

Altogether, this study, the empirical and theoretical considerations discussed in the previous section, as well as the prospects for further empirical and theoretical research highlighted above, all illustrate that the Gulf region offers a fascinating case offering a wealth of instances open for further engagement with the region. Therefore, it would be mistaken to reduce the Gulf region only to its oil wealth and thereby to overlook its richness in historical, economic, social and political aspects.

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ISBN 978-3-7376-1026-1