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Graduate Studies

***THE IMPACT OF RENTIERISM ON AUTHORITARIAN
DURABILITY IN THE GULF***

A THESIS SUBMITTED BY

Nadine Mohamed Shawki Ismail

TO THE

Department of Political Science

SUPERVISED BY

Professor Nadine Sika

February 2024

*in partial fulfillment of the requirements for the degree of
Masters of Arts in Political Science*

DECLARATION OF AUTHORSHIP

I, Nadine Mohamed Shawki Ismail, declare that this thesis titled, “The Impact of Rentierism on Authoritarian Durability in the Gulf” and the work presented in it are my own. I confirm that:

- This work was done wholly or mainly while in candidature for a research degree at this University.
- Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated.
- Where I have consulted the published work of others, this is always clearly attributed.
- Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work.
- I have acknowledged all main sources of help.
- Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself.

Signed:

Date: February 6, 2024

THE SIGNATURES OF THE THESIS DEFENSE COMMITTEE

DEDICATION

*To my Grandfather,
who has always inspired me,
who has always been a role model,
who taught me to always pursue my dreams.*

For you, for your excitement about this thesis, always eternally grateful.

ACKNOWLEDGEMENTS

I would like to thank my supervisor, Dr. Nadine Sika, for her continuous very fruitful guidance and support, with the thesis as well as throughout the program.

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Last but not least, I would like to thank all individuals; friends and coworkers, who have contributed directly and/or indirectly to the completion of this work. Your support is highly appreciated.

ABSTRACT

Ever since its discovery, oil and its rents have strongly impacted the development of the Gulf states. The debate on whether oil has been a blessing or a curse to those states has been a prevailing topic in the literature, with an abundance of available data on the relationship between the durability of authoritarianism in the Gulf region and rentierism. The literature has long claimed that the legitimacy of Gulf rulers is secured through rent distribution, a concept known as Rentier State Theory (RST). With the leaders of Gulf nations being the “owners” of the oil reserves, they have been considered to use such a privilege to enhance their power, ensure their legitimacy, and prevent any change in the status quo. However, many scholars have criticized RST and pinpointed other variables impacting authoritarianism, at the forefront of which are ruling family participation and elite co-optation. In recent years, the literature has shifted to analyze how oil rents/wealth in the Gulf states are currently used to foster economic growth in all fields and elevate the living standards of their citizens, and how the visions of the Gulf leaders have pivoted toward diversifying and opening up their economies. In this context, this thesis contributes to the literature examining the relevance of rentierism in the Gulf states today by utilizing a comparative approach, considering the United Arab Emirates and Qatar as its two case studies. By comparing the recent developments in these countries’ respective political and economic systems, this thesis examines the roles of rentierism, as well as ruling families and the elite, to analyze the main variable still behind the persistent authoritarianism in the region.

Keywords: Rentierism, Oil rents, Oil curse, Authoritarian durability, Gulf states, Ruling family participation, Elite co-optation.

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LIST OF ABBREVIATIONS

ADDED	Abu Dhabi Department of Economic Development
CMC	Central Municipal Council
CPI	Consumer Price Index
DIFC	Dubai International Financial Center
DTCM	Department of Tourism and Commerce Marketing
FDI	Foreign Direct Investment
FNC	Federal National Council
GCC	Gulf Cooperation Council
HIA	Hamad International Airport
LNG	Liquefied Natural Gas
MEW	Ministry of Electricity and Water
PPP	Public-Private Partnership
QT	Qatar Tourism
RST	Rentier State Theory
SMEs	Small and Medium Enterprises
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNWTO	United Nations World Tourism Organization
VAT	Value Added Tax
WTTC	World Travel and Tourism Council

CHAPTER 1

INTRODUCTION

1.1 Background

Due to their large oil reserves and sustained authoritarian regimes, the countries of the Gulf Cooperation Council (GCC), namely, Qatar, Oman, the United Arab Emirates (UAE), Kuwait, Saudi Arabia, and Bahrain, have continually attracted significant scholarly attention. The notable role of oil and oil rents in the region has always been the focal point of studies on the political economy of the region.

With the GCC remaining home to the most durable dictatorships in the world, until today and even after the Arab uprisings of 2011, and with the region owning 34% of the world's estimated crude oil reserves, a considerable amount of data exists on the relationship between authoritarianism in the Gulf region and rentierism, claiming that legitimacy in those countries has been secured through rent distribution, a concept referred to as Rentier State Theory (RST). In fact, scholars have long cited rentierism as the main reason behind the durability of authoritarian regimes in the Gulf area. Giacomo Luciani and Hazem Beblawi define the rentier state as a “state that derives a substantial part of its revenues in the form of rent.” They explain that as the share of rents (oil revenues) increases, the importance of taxes decreases, if not diminishes, resulting in an autonomous state vis-à-vis citizens as political actors; hence the reversal made famous by Luciani of “no representation without taxation.”¹

¹ Yamada, M. & Hertog, S. (2020). Introduction: Revisiting Rentierism—with a short note by Giacomo Luciani, *British Journal of Middle Eastern Studies*, 47:1, 1-5, DOI: 10.1080/13530194.2020.1714267.

Michael Ross takes the analysis further, identifying three different effects of rent on Gulf states. The first is the rentier effect, previously summarized as “no taxation, no representation.” The second is the repression effect, in which the abundance of resource wealth allows the ruling system to allocate a big sum to internal security, thereby strengthening internal security and simultaneously silencing the people and blocking any aspirations for change. The third is the modernization effect, which stipulates that real cultural and social change is hard to reach in countries where development is driven by oil exports.²

Although RST has been modified, criticized, and adjusted to internal and global advancements throughout the years, many scholars still consider it one of the reasons behind the existent authoritarian regimes in the Gulf.

In recent years, the GCC countries have undergone several political and economic adjustments, especially after the 2014 oil drop, the increased awareness of the consequences of climate change worldwide, and the COVID-19 pandemic of 2020, all of which have begun changing global perceptions about those countries. In addition, with the rapid ongoing developments in energy systems globally and with renewable energy becoming cheaper and more efficient, the global demand for hydrocarbon is expected to strongly decline, thus pushing oil prices and revenues to fall. GCC countries are consequently urged to gradually reduce their dependence on natural resources and diversify their economies for a post-hydrocarbon future. This

² Ross, M. (2001). Does Oil Hinder Democracy? - *JSTOR*. <https://www.jstor.org/stable/pdf/25054153.pdf>.

pushes us to question the future of a region basing its legitimacy on oil rents and to re-examine the tools adopted by rulers to sustain their authority.

To understand the current persistence and durability of authoritarian regimes in the GCC, this thesis seeks to answer the following questions: *To what extent does rentierism impact authoritarian durability in the Gulf today? How important is rentierism compared to other forms of authoritarian survival tools employed by Gulf rulers?*

Despite the abundance of existing literature on the relationship between rentierism and the durability of authoritarianism in the Gulf region, the debate remains wide open, and new evidence and contributing factors emerge every day, increasing the controversies and complicating the argument.

1.2 Hypothesis

The main argument is as follows. Although RST was, and remains, a very eligible and relevant starting point while looking at authoritarian durability in the GCC, it needs continuous revisiting given the rapid and ongoing nature of the region's changing circumstances. This thesis argues that economic wealth alone cannot sustain an authoritarian regime and that the organizational structure of the government holds notable accountability.

Therefore, I analyze the role of the ruling family and their political participation, showcasing the strength of this variable as a tool of monarchical survival, both throughout history and in today's world. There are major factors in this relationship that will shape and determine the stability of the authoritarian system in the Gulf region, as well as its future.

1.3 Research Methodology and Case Study Selection

Throughout the 2000s, the GCC countries have notably opened up and diversified their economies, exhibiting impressive growth trajectories unrelated to the exports of natural resources. With Dubai's 2020 Expo, Qatar hosting the World Cup in 2022, and the UAE's Project of 50, RST has proven to be—now, more than ever—irrelevant.

In fact, after the turbulent phase of the 2014 oil market, both “Qatar and the UAE limited their fiscal deficits during this period thanks to relatively more diversified revenues and contained expenditure.”³ In addition, “in 2020, non-hydrocarbon GDP accounted for around 65% of the region's total GDP, compared with 60% in 2010. Qatar have recorded the most significant progress.”⁴ In that same period of time, in Qatar, other than the change in GDP and the significant drop in the share of oil-related GDP, “the construction sector grew the most over the period (from 5% to 12%), linked to the accelerated development of infrastructure over the past decade.”⁵

Given that those two countries are considered among the GCC's largest economies, and with their ongoing large-scale projects aimed at promoting the non-oil segments of their economies, continuously attracting international businessmen and tourists, and aspiring to become tourism hubs, the literature has focused on analyzing their economic diversification strategies and exploring the role of rentierism in those two countries specifically, assessing whether it still plays a role.

³ Pascal, D. (2023). Gulf Countries and the Challenge of the Energy Transition. *BNP Paribas Economic Research*, economic-research.bnpparibas.com/html/en-US/Gulf-countries-challenge-energy-transition-3/9/2023,48341. Accessed 26 December 2023.

⁴ Ibid.

⁵ Ibid.

Despite the fact that oil still hugely contributes to Qatar's economy, with it representing more than 60% of the country's GDP and more than 85% of its export's earnings⁶, Qatari leaders have implemented visions to diversify their economies and decrease their reliance on oil, pushing many to question the necessity or objective behind such plans. Similarly, while the share of GDP generated from oil and oil rents in the UAE increased by almost 50% in 2021, the country continues to open up its economies, developing a great number of projects in all fields. Given such circumstances, the literature has focused on the future of those two addressed countries in regards to rentierism. Therefore, my research is based on case studies of those two countries, closely looking at their latest economic projects and highlighting the cultural and social changes occurring in their societies, thereby adding to the literature on the criticism of the economic characteristics of RST. The choice of those two different countries aims to assess their futuristic plans and examine whether rentierism has, or will have, an effect on the stability of authoritarianism in the region.

This thesis examines the latest factors in the Gulf region affecting the debate on the role of rentierism, and it presents a more inclusive and timely analysis of the reasons behind authoritarian durability in the Gulf region. In this context, throughout this thesis, I attempt to contribute to the scholarly debate on whether rentierism still has an effect on the authoritarian durability in the Gulf and foresee the future of the region within the current political and economic developments.

⁶ Nwuke, Kasirim, and Patrick Fine. "Economic Diversification in the Gulf: Time to Redouble Efforts." Brookings, 9 Mar. 2022, www.brookings.edu/articles/economic-diversification-in-the-gulf-time-to-redouble-efforts/.

To answer the research questions, this thesis uses a comparative case study approach, with the two selected states—Qatar and the UAE—as the unit of analysis. The thesis is primarily based on desk research, using secondary sources, and examining the academic works of scholars who have contributed to and influenced the debate on the theories stated above. My approach is a comparative, analytical, and historical one that analyzes and criticizes the different theories and their impact on authoritarian durability in the Gulf.

As clearly stated by Mathew Gray⁷ and many other scholars, the reason why RST fails to explain the recent changes in the Gulf area is due to the fact that it ignores important factors such as globalization, free trade, and the significant social change recently witnessed by the GCC. In order to assess the effects of those theories and examine all factors contributing to authoritarian durability in the Gulf, I adopt a macro-level analysis, with Gulf states as the main unit of analysis, focusing on the dynamics of the relationship between societies, their governing system, institutions, classes, and individuals within the selected Gulf countries.

Several RST scholars have been criticized for overlooking the differing social, cultural, and historical factors of the GCC countries and rather viewing the whole area as one entity. Accordingly, this thesis includes a comparative approach that entails looking at different case studies and examining the effect of such factors on each country's regime. Both Michael Herb⁸ and Andrew Rosser⁹ have been among the critics of such generalizations and have clarified the

⁷ Gray, M. (2011). A Theory of "Late Rentierism" in the Arab States of the Gulf. Center for International and Regional Studies, Georgetown University, School of Foreign Service in Qatar.

⁸ Herb, M. (1999). *All in the Family: Absolutism, Revolution, and Democracy in the Middle Eastern Monarchies*. State University of New York Press.

⁹ Rosser, A. (2006). *The Political Economy of the Resource Curse: A Literature Survey*, Institute of Development Studies Working Paper 268 (Brighton: University of Sussex): 7, accessed 6 July 2010.

importance of looking at each country as a separate entity.

The two main independent variables this thesis utilizes are rentierism and family participation, and elite co-optation. I examine how each of the selected countries deals with those two factors and their impact on the dependent variable, which is authoritarian durability in the Gulf region.

1.4 Conceptualization and An Overview of Key Terms

1.4.1 Classical Rentierism: Rent and Rentier States

RST is a “political economy theory that seeks to explain state-society relations in states that generate a large proportion of their income from rents, or externally-derived, unproductively-earned payments.”¹⁰ RST emerged in the early 1980s and has long been used as the most recognized explanation for the lack of democratization in the Middle East. A considerable amount of data exists on the relationship between authoritarianism in the Gulf region and rentierism, claiming that legitimacy in those countries has been secured through rent distribution.

In 1970, Hussein Mahdavy introduced the term “rentier” for the first time in a scholarly article, defining rentier states as “countries that receive (on a regular basis) substantial amounts of external rent. External rents are in turn defined as rentals paid by foreign individuals, concerns, or governments to individuals, concerns or governments of a given country.”¹¹ Rent is generally

¹⁰ Gray, M. (2011) A Theory of “Late Rentierism” in the Arab States of the Gulf. Center for International and Regional Studies, Georgetown University, School of Foreign Service in Qatar.

¹¹ Mahdavy, H. (1970). The Pattern and Problems of Economic Development in Rentier States: The Case of Iran, in *Studies in the Economic History of the Middle East*, M.A. Cook, ed. (Oxford: Oxford University Press, 1970), 428.

understood in the Ricardian sense as a reward for the ownership of natural resources. Usually, states relying on oil for at least 40% of their economic revenue are referred to as rentier states. Based on this definition, several Middle Eastern states are considered rentier states: Kuwait (88%); Qatar (87%); UAE (84%); Oman (81%); Saudi Arabia (80%); Bahrain (59%); Libya (58%); Iran (55%); Algeria (53%); and Yemen (46%).¹²

The concept of the rentier state originated in the late 1960s among economists studying the oil-exporting countries of the Middle East and North Africa, explaining phenomena such as the persistence of “patrimonial domination,”¹³ the “autonomy of the state,” and its “vulnerability.”¹⁴ Since then, rent has been related to the existence of authoritarian durability in the Gulf area, followed by the emergence of RST as the most recognized explanation for the lack of democratization in the Middle East.

1.4.2 Authoritarianism and its Survival Strategies

To examine the GCC countries and their existent regimes, we rely on Sean Yom’s definition. Yom defines the systems in those countries as a stable authoritarian rule, meaning that they’re neither spiraling toward democracy nor growing more despotic.¹⁵ The concept of an

¹² Benli Altunışık, M. (2014). Rentier State Theory and the Arab Uprisings: An Appraisal, *Uluslararası İlişkiler*, Volume 11, No. 42.

¹³ Beblawi, H. & Luciani, G. (1987). *The Rentier State in the Arab World*. London: Croom Helm.

¹⁴ Skocpol, T. & Goodwin, J. (1989). *Explaining Revolutions in the Contemporary Third World*.

¹⁵ Yom, S. (2011). *Oil, Coalitions, and Regime Durability: The Origins and Persistence of Popular Rentierism in Kuwait*, *Studies in Comparative International Development*, Vol.46.

authoritarian state started gaining more prominence by the 1960s when scholars needed to identify the new emerging states that were neither democratic nor totalitarian.¹⁶

According to Juan José Linz, a state is authoritarian if its political pluralism is limited and irresponsible, without elaborate and guiding ideology but with distinctive mentalities. It is also without extensive nor intensive political mobilization, except at some points in its development, in which a leader—or, occasionally, a small group—exercises power within limits that are predictable, though formally ill-defined.¹⁷

During that period of time, the literature was focused on examining the reasons behind the durability of some authoritarian regimes versus the reasons behind the fall of other ones. Scholars have examined the different survival strategies of authoritarian regimes, assessing their strength.

According to Steffen Kailitz and Patrick Köllner,¹⁸ and Johannes Gerschewski,¹⁹ the stability and longevity of autocratic systems are based on legitimation, repression, and co-optation. Gerschewski states that those three pillars develop the stabilizing effect of autocracies and strengthen the regimes throughout time.

¹⁶ Linz, J. J. (1964). An Authoritarian Regime: Spain, in *Cleavages, Ideologies and Party Systems: Contributions to Comparative Political Sociology* (eds E. Allardt, Y. Littunen). Helsinki: Transactions of the Westermarck Society, pp. 294-341.

¹⁷ Ibid.

¹⁸ Köllner, P. and Kailitz, S. (2013). "Comparing Autocracies: Theoretical Issues and Empirical Analysis," *Democratization* 20, no. 1, pp. 1-12.

¹⁹ Gerschewski, J. (2013). "The Three Pillars of Stability: Legitimation, Repression and Co-optation in Autocratic Regimes," *Democratization* vol. 20, no. 1, pp. 13-38.

Although scholarly authors have continually examined different survival strategies and despite the general consensus that dictators do not always follow the same strategy and often respond to threats differently, the literature has always suggested that rulers of oil-rich countries are more likely to resist challenges to their regimes than their non-oil-rich counterparts. In fact, oil allows the Gulf dictators to use their financial privilege to increase the spending on public goods, thereby strengthening repressive capacities and reducing the need for power sharing.

1.4.2.1 Legitimation

Due to their significant reliance on external rent and their statist model of development, with the state controlling all economic affairs, the Gulf states have pushed scholars to argue that legitimacy in those countries is secured through rent distribution. Thus, Gulf rulers sustain their authoritarian rule and guarantee no opposition through a social contract with their citizens. The distribution of rents is the main variable behind the maintenance of power; rents spent on health, education, and subsidized foods guarantee respect to the ruler and lack of opposition. When it comes to legitimation in the Gulf, Oliver Schlumberger's insight on the matter appears to be the most adequate.²⁰ Schlumberger explains that in the Arab World, rulers depend on non-democratic sources of legitimacy. He adds that, rather than depending on participation, for instance, legitimacy relies on four different pillars: tradition, ideology, religion, and welfare benefits. Along those lines, Davidson also suggests the concept of "Eudemonic Legitimacy,"²¹ which is legitimacy-based and

²⁰ Schlumberger, O. (2010). Opening Old Bottles in Search of New Wine: On Nondemocratic Legitimacy in the Middle East. *Middle East Critique* 19, no. 3: 233-250.

²¹ Davidson, C. (2013). *After the Sheikhs: The Coming Collapse of the Gulf Monarchies*, (Oxford: Oxford University Press), 3.

maintained from economic well-being. He explains how oil and oil rents have helped rulers in many ways, most importantly, in meeting the demands and aspirations of the people and providing them with high levels of services.

1.4.2.2 Co-optation

Other prominent scholars look at the role of the elite and the existence of institutions and/or parties as one of the most provenly effective tools for sustaining the regime type. For instance, in *Adaptable Autocrats: Regime Power in Egypt and Syria*,²² Joshua Stacher notes that “elites possess the greatest ability to induce change or maintain the status quo because they are structurally positioned near the epicenter of the governing process—regardless of the weaknesses of the institutions to which they belong.” Likewise, in *Authoritarianism in an Age of Democratization*, Jason Brownlee discusses the important role of the elites in consolidating their power and explains that the existence of elites is “sufficient for durable authoritarianism because it provides a structure for collective agenda setting.”²³ Legitimacy in the Gulf states is tightly related to the elites and the ruler’s family members, who are responsible for reinvesting in the local economy and fostering economic growth.

1.4.2.3 Repression

In order to understand the effect of oil on regime change and democratization, one must relate oil and societal silence. Abundant oil resources have proven to have allowed for the creation of repressive systems capable of bringing down any radical attempts for change. “Political economy research in the archetypal rentier states of the Gulf has been heavily focused on top-down, state-centric processes of de-mobilization, pointing to the relative absence of street demonstrations or civil society associations as evidence of the state’s success.”²⁴

²² Stacher, J. (2012). *Adaptable Autocrats: Regime Power in Egypt and Syria*, Stanford University Press.

²³ Brownlee, J. (2007). *Authoritarianism in an Age of Democratization*, Cambridge University Press.

²⁴ Hertog, S. (2019). What Would the Saudi Economy Have to Look Like to Be “Post-Rentier”? *POMEPS 33 - London School of Economics and Political Science*.

As part of the theories surrounding the resource curse, it is generally accepted that areas rich in natural resources attract conflict and interest groups who are willing to use force to secure the resource. As such, the state is required to invest in security and repression if they stand to benefit from the oil found in the state, or if they risk losing it to other regional groups or independent para-military movements.

When it comes to the Gulf states, the three different strategies discussed above are clearly interrelated and serve one another. Ross²⁵ suggests that oil revenues allow governments to spend more on repression and internal security, a move that authoritarian regimes are inclined to do in any case, but oil simply facilitates. Based on this, the next chapter reviews the existing literature on RST and the role of the family and the elite in sustaining authoritarianism in the region in an attempt to determine the survival strategies currently adopted by the different Gulf leaders.

While this thesis draws on those three pillars and examines their roles today, it goes beyond that by adding the important role of tribal linkages in the state building process of the Gulf. This thesis addresses a gap in the literature and demonstrates how tribes have shaped the political and economic scenes of the Gulf and how they act as modern actors in today's world. The thesis argues the power of tribalism in the political arena of both the UAE and Qatar and demonstrates the mechanism of state-tribal relation in the diversification and modernization of the economy.

eprints.lse.ac.uk/101386/1/Hertog_what_would_the_saudi_economy_have_to_look_like_to_be_post_rentier_published.pdf. Accessed 27 December 2023.

²⁵ Ross, M. (2001). Does Oil Hinder Democracy? - *JSTOR*. <https://www.jstor.org/stable/pdf/25054153.pdf>.

1.5 Chapters Overview

This thesis consists of four chapters. In the first chapter, we examine the existing literature on our two main variables; specifically, we explore RST criticisms and modifications throughout the different years and events, and how various scholars have perceived its effect on authoritarian durability in the Gulf. This chapter also includes an overview of the role of the family and elite in the Gulf societies, throughout history and currently, to explain how they play a crucial role in maintaining the status quo in the concerned societies. The second and third chapters examine the recent economic, political, and social advancements in the societies of the two chosen case studies, showcasing how Gulf countries no longer depend on rent as a main source of income nor as a tool of oppression. Finally, the fourth chapter concludes and assesses the findings, foreseeing the future of democratization in the region given the most recent developments.

CHAPTER 2

LITERATURE REVIEW

2.1 Theoretical Approaches Revised

Rentier State Theory has always referred to the various effects of oil on the political economy of the region, given its abundance in GCC countries. As already demonstrated in the introduction, RST literature focuses on how oil is used to enhance regime power, thus reinforcing the rentier state model. More specifically, RST scholars illustrate how oil has contributed to autocratic political regimes, enabled an oil-dependent economic model of development, and continued the favoring of elites. Despite its popularity, RST has become widely criticized and revisited by several scholars, including former RST advocates who later noticed its limitations.

In 2020, Giacomo Luciani, one of the original theorists of RST, clarified that; “indeed, it has never been my understanding that the rentier state paradigm should be either the sole or the overwhelming tool of interpretation of the political economy of oil-producing countries. I believe that reliance on a stream of rent accruing directly to the state from the rest of the world is an important consideration, but surely not the only one. Other cultural, historical, or even personal circumstances (the competence of rulers and their personal motivations) essentially influence outcomes. Thus, the multitude of writings that have argued against the rentier state idea on the

basis of the consideration that there are other important aspects are, in my opinion, stating something which is obvious to begin with.”²⁶

Many authors have followed this line of thinking, and with many advancements occurring in the past years, have reconsidered RST and now believe that other variables may also have an impact on authoritarianism in the region. In the coming chapter, we review criticisms of RST and the latest contributions to the RST literature. Further, we also examine the way the literature has looked at the role of the family and the elite as important variables in the existence of authoritarian rule in the region.

2.2 Critique of RST and the Emergence of Late Rentierism

Gray, one of the most prominent critics of RST, views its classical approach as a simplified and generalized theory that ignores several aspects and is no longer applicable, hence introducing the concept of “late rentierism.”²⁷

According to Gray, “late rentierism accepts the broad validity of the principles of RST, but also allows for both domestic imperatives and external influences to have impacted the wealthy

²⁶ Makio, Y. & Steffen, H. (2020). “Introduction: Revisiting Rentierism—with a Short Note By ...” Introduction: Revisiting Rentierism—with a Short Note by Giacomo Luciani, www.tandfonline.com/doi/full/10.1080/13530194.2020.1714267. Accessed 30 January 2024.

²⁷ Gray, M. (2011). A Theory of “Late Rentierism” in the Arab States of the Gulf. *A Theory of “Late Rentierism” in the Arab States of the Gulf*, 19 Aug. 2016, papers.ssrn.com/sol3/papers.cfm?abstract_id=2825905.

Gulf states, bringing significant changes to their political economies but retaining, even entrenching, ruling family and elite roles, as well as most of their privileges.”²⁸

Although the literature has focused on the importance of rent and its huge effect on the absence of democracy or freedom in the GCC, Gray, on the other hand, undermines its importance and argues that “a rentier does not have unlimited repressive ability, whatever its financial capacity.”²⁹

The author claims that “late rentierism creates a particular type of state that is more responsive, globalized and strategic in its thinking.” Characteristics of late rentierism include “active economic and development policies”; permeable country boundaries, opening up to globalization; “an undemocratic but responsive state”; “entrepreneurial state capitalism”; the state as a strategic thinker; and “innovative foreign policies.”³⁰ This definition perfectly describes the Gulf states today, and pushes us to question the extent of the importance of rents in those states currently, given such changes.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

2.3 Late Rentierism and the Gulf States

Gray states that RST “has proved itself insufficient during the last two decades with the changes that have occurred in the Gulf area.”³¹ He argues that classical RST has failed to explain the political, social, and economic differences between GCC countries. Additionally, he believes that it does not take into account the regional changes that have been occurring since the early 1990s. Several GCC nations have become more globalized and are “spending their rentier wealth more intelligently to develop their economies and societies, diversify away from their strong reliance on oil, build new international images and roles for their cities and states, and even change the state’s relationship with society.”³²

The idea of late rentierism emerged as a striking characteristic of Gulf states, which remain dependent on the idea of rent as a source of not only economic stability but also legitimacy. These nations “have also incorporated some quasi-rentier or non-rentier aspects into their foreign relations, economic policies, and relationships with society and with intermediary actors such as civil society groups.”³³ Authors of post and late rentierism have criticized RST works as lacking consideration of the diversification of the different economic activities of GCC countries.

Gray proposes it as a “way of characterizing the politics of the Arab Gulf States,”³⁴ depicting changes in the Gulf region and showcasing the limits of traditional RST. Rather than

³¹ Gray, M. (2011). A Theory of “Late Rentierism” in the Arab States of the Gulf. Center for International and Regional Studies, Georgetown University, School of Foreign Service in Qatar.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

seeing the Gulf's wealth as a means for legitimacy and control, Gray argues that GCC countries are using their rentier wealth to develop their economies and societies, thereby opening up to globalization and diversifying away from their strong reliance on oil. He adds that rulers are even starting to change the state's relationship with society. Several scholars have followed Gray's lead and many RST critics have included such changes in their research, revisiting RST and its impact on Gulf authoritarianism.

Another extremely crucial criticism by Herb, as well as other scholars, was the failure of RST to explain the recent economic development witnessed in the UAE and Qatar, and the usage of oil wealth in bringing important societal, economic, and technological advancements to those countries. The case of the UAE is one of the strongest examples depicting RST deficiencies, after the country achieved a successful economic diversification aside from oil.³⁵ RST failed to explain the vast expansion in the country's economic advancement, the reliance on tourism and real estate, as well as the aggressive Emiratization program aiming at including native workers in the production of local goods. Recently, the literature has also been extremely focused on the example of Qatar, with its growing economy no longer exclusively relying on oil.

Similarly, Luciani takes into consideration the role of the ruling elites in the Gulf in developing and diversifying their economies. He adds that when properly used, oil becomes an asset and not a curse and is a main actor in promoting the growth of the economy and escaping the

³⁵ Mogielnicki, R. (2022). Competing Economic Visions in the Gulf. *The Cairo Review of Global Affairs*, The Cairo Review of Global Affairs, www.thecaireview.com/essays/competing-economic-visions-in-the-gulf/.

resource curse. The author concludes that GCC policymakers have been successful in implementing the correct developmental model to ensure the diversification of industry away from pure rentierism.

According to Herb, “political science approaches to the rentier state need to move beyond abstract concepts of the social contract to examine precisely how citizens engage with the state under the conditions shaped by oil.”³⁶ He adds that one needs to look at each country as a separate entity in order to explain the durability of the systems and not just look at the Gulf region as one. For instance, Kuwait has an active effective parliament, while countries such as Qatar and the UAE lack any strong democratic institutions.

John W. Lang details the efforts of GCC countries to diversify their economies and reduce their reliance on oil. Lang goes a step further, discussing the move of several Gulf countries to change from rentier economies to mixed-mode economies. The author states that those countries’ dependency on oil and oil rents is tremendously decreasing, “with knowledge-based, technology and innovation led activities at the heart of that incremental and marginal change.”³⁷

Many scholars have adopted the same line of thinking and determined that the causal effect between oil and authoritarianism was a mere generalization that does not take into account the specific characteristics of every state concerned. Andrew Rosser, a prominent critic of RST, sheds light on the importance of context analysis, focusing on the differences between the many countries

³⁶ Herb, M. (2016). No Representation Without Taxation? Rents, Development, and Democracy, *Comparative Politics*, Vol. 37, No. 3, 2005, “Chapter 2.” *Anatomy of Authoritarianism in the Arab Republics*, by Joseph Sassoon, Cambridge University Press.

³⁷ Lang, J. W. & Aldori, N. (2020). An Extension to Late Rentierism, using a Comparative Compound Diversification Index, to Show the Movement Towards Mixed Mode Economic Diversification and Development, in the GCC States, *Business and Management Studies*, Redfame Publishing, vol. 6(1).

concerned, rather than just adopting a bird's eye view of the relationship between rents and authoritarianism.³⁸

Interestingly, late rentierism does not in any way negate the idea that GCC countries rely on oil and oil rents, or the idea that oil rents are used as a source of legitimacy. Rather, it argues that the position of Gulf countries has become much more sophisticated and that GCC countries are just “seemingly spending their rentier wealth more intelligently to develop their economies and societies, diversifying away from their strong reliance on oil, building new international images and roles for their cities and states, and even changing the relationship with society.”³⁹ This is precisely the hypothesis this thesis is based on; with the Gulf countries rapidly developing at an extreme rate, the relevance of rentierism continues to decrease. For this reason, especially with the changes witnessed in very recent years, this thesis analyzes the changes occurring in those societies and examines the extent to which rentierism plays a role in maintaining authoritarianism. This will be juxtaposed with other variables like repression, co-optation, and legitimation to understand the extent to which rentierism plays out vis-à-vis these other variables in the GCC.

³⁸ Rosser, A. (2006). *The Political Economy of the Resource Curse: A Literature Survey*, Institute of Development Studies Working Paper 268 (Brighton: University of Sussex): 7, accessed 6 July 2010.

³⁹ Ibid.

2.4 The Arab Spring and Rentierism

The 2011 Arab Spring has created many controversies in regard to RST and has, once again, revived new debates on the theory, raising questions pertaining to the persistence and strengths of some regimes vis-à-vis the weaknesses of others. On one side, despite the many criticisms of RST in the early 2000s, the Arab Spring has demonstrated the power of oil in sustaining authoritarianism. While huge protests arose in the low oil production states leading to the breakdown of many authoritarian regimes, domestic opposition was practically non-existent in most of the rentier Gulf monarchies, with few exceptions. In fact, the relationship between regime type, rentierism, and the durability and strength of the regimes has been made more and more apparent by the Arab Spring, when the difference between monarchies and republics was made very clear. By decreasing the amount of public spending during that time, Gulf leaders proved the efficiency of using state spending as a tool for the consolidation of their monarchical rule. In *Durable, Yet Different: Monarchies in the Arab Spring*, Bank Andre states that “although no public protests took place during the early phase of the Arab Spring, the Qatari government took preemptive action by further raising the already high salaries and social benefits of state employees at a cost of \$8.24 billion.”⁴⁰ Likewise, the UAE’s government increased the salaries of those working in the public sector up to 70% as well as offering several privileges to the citizens. In the months following the start of the protests in the region, King Abdullah announced new spending

⁴⁰ Bank, et al. (2014). *Durable, Yet Different: Monarchies in the Arab Spring*. *Durable, Yet Different: Monarchies in the Arab Spring*, www.tandfonline.com/doi/full/10.1080/21534764.2014.971647. Accessed 24 September 2023.

plans of more than \$100 billion in Saudi Arabia. Similarly, following oil price booms, GCC leaders spent considerable amounts on social services and welfare, again securing their stance and appeasing their citizens. Scholars have thus continually discussed how the tools of authoritarian resilience used in oil-rich countries differ from other autocratic monarchies, with no need for the use of force. Following the uprisings in Kuwait, Bahrain, and Libya, many scholars revisited RST, questioning whether those countries were an exception to the theory, or whether the theory as a whole required reconsideration. The Arab Spring's vastly different effects on many Gulf states have proven, more than any other time, the importance of looking at Gulf states separately and not merely generalizing and/or stereotyping the whole region as one in which citizens enjoy their national wealth through distribution and are always content with their leaders. Such an example illustrates how the state can successfully “buy” the loyalty of its people. In this case, one can assume that the economy is indeed integral to the maintenance of a certain political order and acts as a co-optation measure that does not involve much violence or deterrence.

2.5 Post-Rentierism: Toward More Diversified Economies?

After 2020, the literature shifted to discussing what would happen to the Gulf after the global energy systems shift toward a low-carbon energy system. Makio Yamada poses an interesting question: “Can a rentier state evolve to a production state?”⁴¹ To answer this question and examine the future of the Gulf countries, Yamada uses a comparative approach, historically looking at several countries that have become production states. He concludes that the mode of

⁴¹ Yamada, M. (2020). Can a Rentier State Evolve to a Production State? an 'Institutional Upgrading' Approach. *Taylor & Francis*, <https://www.tandfonline.com/doi/abs/10.1080/13530194.2020.1714867>.

production in the Gulf remains “production with rentier characteristics”⁴² and argues that Gulf governments still need deep changes to diversify their economies and shift from a rentier economy. This reaffirms the arguments in this thesis, proving that generating real change hinges on targeting the organizational and structural level of society and not just on the economic side. Similarly, Pedro Oliveira questions whether Gulf economies are embarking upon “a period that might lead to deep economic turmoil.”⁴³ Oliveira discusses how different GCC states have decreased their reliance on natural resources and made important changes to their economic systems, showcasing the strength of those countries in maintaining their political power despite the fall in oil prices. The author states that “Gulf’s governments’, societies’ and corporations’ unshakable willingness to transform their economies, combined with a massive stock of liquid assets and low debt levels, will enable the financing of this transformation and help to create a prosperous future for the region.”⁴⁴

With the Arab Spring and the economic turmoil of 2014, many other scholars have focused on the economic scene of the region as a post-rentier and contributed to the literature by looking at different ways by which Gulf states used their wealth to diversify and open up their economies. Hvidt,⁴⁵ Gray,⁴⁶ and Hertdog⁴⁷ assess the different economic activities that Gulf countries have

⁴² Ibid.

⁴³ Oliveira, P. (2019). The Arabian Gulf Economies. *Oliver Wyman - Impact-Driven Strategy Advisors*, <https://www.oliverwyman.com/middle-east/our-expertise/insights/2019/june/the-arabian-gulf-economies.html>.

⁴⁴ Ibid.

⁴⁵ Hvidt, M. (2011). Economic and Institutional Reforms in the Arab Gulf Countries. *Middle East Institute* 65, no. 1.

⁴⁶ Gray, M. (2018). Rentierism’s Siblings: On the Linkages between Rents, Neopatrimonialism, and Entrepreneurial State Capitalism in the Persian Gulf Monarchies. *Journal of Arabian Studies* 8, no. 1.

⁴⁷ Hertog, S. (2010). Defying the Resource Curse: Explaining Successful State-Owned Enterprises in Rentier States.

been a part of, in a large number of fields. Although they acknowledge the changes occurring in the economies, they still recognize the role rentierism plays in those societies, and confirm that “rolling back 30 to 50 years of rentierism is not a process that can be accomplished easily or hastily.”⁴⁸ The authors also discuss the success of the leaders in implementing visions based on economic diversification, mainly focusing on the case of the UAE.

Currently, and for the past couple of years, the Gulf has been decreasing its hydrocarbon dependency and, has notably been “opening up” to the world,⁴⁹ both culturally and economically; Gulf countries started opening their borders to investors, businessmen, and tourists. Furthermore, the GCC has gone considerably deeper by undertaking many steps in energy transitioning.⁵⁰ Today, large projects in renewable energy, nuclear plants, and zero-emission low-carbon energy sources abound. The 2022 pledge from KSA, the UAE, and Bahrain (under oath) was to achieve net zero emissions by 2050 or 2060.

With such tremendous and sweeping changes, most of the economic characteristics of RST have been negated, and the concept of a rentier state with an oil-dependent economic model of

World Politics 62, no. 2.

⁴⁸ Martin, Hvidt. *Economic Diversification in GCC Countries: Past Record and Future Trends*, eprints.lse.ac.uk/55252/1/Hvidt%20final%20paper%2020.11.17_v0.2.pdf. Accessed 30 Jan. 2024.

⁴⁹ Economic Diversification in GCC Countries: Past Record and Future Trends. Kuwait Programme on Development, Governance and Globalisation in the Gulf States. No. 27. London School of Economics and Political Science, London, UK. 2013. Date Accessed: 1 July 2019. http://eprints.lse.ac.uk/55252/1/Hvidt%20final%20paper%2020.11.17_v0.2.pdf

⁵⁰ De Jong, M.; Hoppe, T.; & Noori, N. (2019). City Branding, Sustainable Urban Development and the Rentier State. How Do Qatar, Abu Dhabi and Dubai Present Themselves in the Age of Post Oil and Global Warming? *Energies*, 12, 1657. <https://doi.org/10.3390/en12091657>

development is no longer to be seen in the Gulf. The concept of a country that is just blessed with natural resources, making it rich with no effort, needs to be reassessed.

This thesis contributes to the scholarly debate on the reasons behind the durability of authoritarianism in the Gulf region today, in the midst of the current political, social, and economic changes. While doing so, the thesis will not contest RST. Many authors who have revisited RST—namely Gray, Yamada, and Hertog—still confirm its relevance and importance until now. “Although some of its assumptions came to require revision it still continues to account for some important truths and is yet to be replaced by another paradigmatic heavyweight that is equivalent in influence.”⁵¹ In fact, the power of wealth—or in this case, rents—cannot be negated as a tool of authoritarian resilience. This thesis thus considers RST political characteristics, while contesting and adding to the economic aspects of the theory, given the current economic status of those states internationally.

The next section explores the literature on the role of family participation and elite co-optation in sustaining the authoritarian regimes of various GCC countries and demonstrates the growing importance of this variable in today’s era of economic change and turmoil in the region. This thesis argues that for such regimes to stand up to change, legitimacy, societal acceptance, and allegiance to the status quo are mandatory.

⁵¹ Yamada, M. & Steffen, H. (2020). “Introduction: Revisiting Rentierism—with a Short Note By ...” *Introduction: Revisiting Rentierism—with a Short Note by Giacomo Luciani*, www.tandfonline.com/doi/full/10.1080/13530194.2020.1714267. Accessed 30 January 2024.

2.6 Family Participation and Elite Co-optation

The importance of elites and their role in sustaining the regime type in the GCC has always been given less importance in relevance to that, given to the economic dynamics of rentier states in the region. This chapter looks at the current family elite dynamics of the Gulf states, analyzing its effect on the maintenance of the status quo and examining its importance in comparison to rentierism. Throughout different years and regions, the scholarly literature on authoritarianism has focused on the impact of family participation and elite co-optation on authoritarian durability and sustainability. It has always been claimed that “autocrats rely on a network of family, compatriots, and kin to engender loyalty and spread their power base, co-opting rivals into supporters and proponents of the regime.”⁵² Currently, this is most apparent in Middle Eastern monarchies, mainly the countries of the Gulf, which have been able to maintain their institutions’ power, if not strictly their own, by spreading it across dynasties and extending royal circles. Throughout different years, Gulf monarchies have always developed ways to include family and elite members in political and economic decision-making processes.

Since the early 2000s and up until today, the literature has shifted toward focusing less on rent income and revenues and instead looking at new variables that explain authoritarian durability in the Gulf. Thomas Richter, Bank, and Herb all argue that the most prominent tools to the survival of monarchies in the region are family participation and elite co-optation. Likewise, Kamrava⁵³ as well as Gray and Mitchell⁵⁴ examine how elites use oil wealth to maintain strong positions in

⁵² <https://freedomhouse.org/report/freedom-world/2022/global-expansion-authoritarian-rule>

⁵³ Kamrava, M. (2018). Oil and Institutional Stasis in the Persian Gulf. *Journal of Arabian Studies* 8, no. 1.

⁵⁴ Mitchell, T. (2011). *Carbon Democracy: Political Power in the Age of Oil*. London, UK: Verso Books.

society. Those scholars have started looking into ways by which ruling families and wealthy elites of the Gulf use oil wealth to open up economies and delve into new businesses, thereby generating more wealth to sustain their regimes. This is the key argument and concept adopted by this thesis; the purpose is to look at the economic policies recently implemented by GCC leaders and assess whether they are moving away from rentierism or creating a vicious cycle.

Bank and Richter view family participation as a main variable of the monarch's legitimacy. According to both authors, the participation of family members in political decision-making has a key role in sustaining power.⁵⁵ This argument has been thoroughly discussed by Herb, who argues that the main reason behind the stability and strength of authoritarianism in the region is not rentierism, but rather the "dynastic monarchy structure." He argues that dynastic monarchies, which allow extended family to rule and give numerous members of the royal family important positions in the government, produce stability and give more legitimacy to the ruler.⁵⁶

Gandhi goes so far as to state that "in the Middle East, only those monarchs who successfully transformed from traditional monarchies based on the king's supremacy to dynastic monarchies in which the family as a whole is the focus of power have been able to survive." He argues that co-opting family members and elites does not only serve to spread their power bases but also to undermine the likelihood of revolutionary pressures coming from outsider elites.

⁵⁵ Bank, A., Richter, T., & Sunik, A. (2015). Long-term Monarchical Survival in the Middle East: A Configurational Comparison, 1945-2012. Democratization.

⁵⁶ Herb, M. (1999). All in the Family: Absolutism, Revolution, and Democracy in the Middle Eastern Monarchies. State University of New York Press.

It is important to elaborate on what is meant by the term “elites” and their importance in Gulf states. DFID Research defines elites as “usually a small number of people who organize to control large amounts of power. In the case of politics, political elites can be considered those leading the state and its main institutions.”⁵⁷ In the Gulf countries, elites usually have an inherent advantage of historical families and wealth. As Lester Seligman notes, “elite recruitment patterns are a great indication of the political nature in a certain country.” She also highlights that there are certain criteria that go along with elite recruitment including legitimization, eligibility, groupings and mobility.”⁵⁸

Gandhi and Lust-Okar also cite the importance of the elite, while explaining why rulers co-opt them to the regime. The authors depict the way in which elites support the system and give it strength vis-à-vis the opposition, or the people in general. Brownlee also agrees that the co-option of the elite and their existence in the government “is sufficient for durable authoritarianism because it provides a structure for collective agenda setting.”⁵⁹ The author believes that undemocratic regimes are not inherently fragile, they only become so “when leaders drive dissatisfied elites into the opposition’s ranks.”⁶⁰

In order to understand the impact of family participation and elite co-optation on the regime type in the GCC, it is pivotal to comprehend the structural composition of the society and evaluate

⁵⁷ DFID Research. *The Politics of Poverty: Elites, Citizens and States*, search.oecd.org/derec/unitedkingdom/48688822.pdf. Accessed 27 December 2023.

⁵⁸ Ibid.

⁵⁹ Brownlee, J. (2007). *Authoritarianism in an Age of Democratization*, Cambridge University Press.

⁶⁰ Ibid.

how the political scene in the Gulf has been transformed over the last 40-70 years. The modern Gulf monarchies of today emerged out of tribal coalitions that existed in the region centuries ago. In the 1970s, and with the start of the oil era, there has been a great shift in the society dynamics. With the increase in oil revenues and consequent growing production, the gap between the ruler and the ruled has increased and the strength of the rulers has become, more than ever, uncontested.

By being the natural recipients of oil rents, the rulers, along with their families, have naturally gained more authority and have gained power over other members of the tribe. With time, the distribution of oil and oil-generated wealth has been used as a tool to ensure loyalty and control over the masses. “Above all, ruling families exerted strong control over their populations by such means as determining advancement in the civil service and military according to loyalty; parceling out financial opportunities and benefits through a wide network of elites, supporters and constituent groups; maintaining severe censorship of all media; and prohibiting public dissent and sanctioning private dissenters.”⁶¹

The tribal nature of the region and its cultural effect on the different generations is indeed one of the most important characteristics that one must consider while discussing the current societal structure of the Gulf states, especially their acceptance of the status quo.

In *All in the Family*,⁶² Herb argues that the conditions for monarchical durability can be best understood when the peculiarities of royal family politics are taken into account, in particular

⁶¹ Ibid.

⁶² Herb, M. (1999). *All in the Family: Absolutism, Revolution, and Democracy in the Middle Eastern Monarchies*. State University of New York Press.

regarding the inclusion or non-inclusion of parts of the family in key decision-making institutions. To prove the crucial role of families and family participation in maintaining authoritarianism, Herb differentiates between so-called “dynastic monarchies” and “linchpin” or “non-dynastic” monarchies. In dynastic monarchies, which all exist in the Gulf, the ruling families determine political decision-making by consensus, and power is shared between the monarch and other family members. The family acts as a “ruling institution” and its members are decision-makers in both the administration and the security apparatus. On the other hand, in non-dynastic monarchies, it’s mainly about the monarch himself, who has centralized power, with no real importance to other family members. Herb uses case studies of both categories—the Gulf versus states such as Egypt, Jordan, and Morocco—and concludes that family participation and the inclusion of family members in the decision-making process always create stronger and more durable authoritarian regimes.

The main pillars of authoritarianism and the concepts of family participation and elite co-optation have long been deeply rooted in the cultural history of the GCC. The ruling families form an integral part of the tribal system, and their status is accepted generally as normal.

For the sake of this thesis, a tribe is defined as “a descent group (occasionally several) which constitutes a political community. It may be subdivided into smaller descent groups and form part of larger ones, but it is distinguished from these by the fact that is the most inclusive aggregate of persons who identify with each other as a group under common leadership.”⁶³ Fuad

⁶³ Patricia, C. (1994). The Tribe and the State - Institute for Advanced Study, www.ias.edu/sites/default/files/hs/Crone_Articles/Crone_Tribe_and_State.pdf. Accessed 3 January 2024.

Khuri, on the other hand, looks at a tribe from a cultural perspective and defines a tribal society as one that has a “cultural substance.”⁶⁴ In fact, the relationship between tribes and states in the Middle East has always been an area of interest and research for scholars, mainly due to their impact till today in the societies. Other than the Middle East area, “it was unusual for states and tribes to coexist within a common territory over the long term or for tribal peoples to be the founders of so many ruling dynasties.”⁶⁵ One of the major contributors to this topic was social historian Ibn Khaldun, whose insights significantly resonate with the tribal role and impact in the Gulf region today. Khaldun introduced the concept of *asabiyya*, which is “a factor being shared by people not related to each other by blood ties but by long and close contact as members of a group.” According to him, it meant “solidarity, group feeling or group consciousness.”⁶⁶ The concept of *asabiyya* was the product, as well as the cause, of the patron-client relationship between tribal leaders and other tribe members. Looking at the Gulf states of today, one can easily see how this concept is still very relevant and how it strongly impacts the region’s political scene and could be considered the main reason behind the persistence of authoritarianism.

“The culture demands respect for the father as head of the family – and, by extension, elders of the community – whose word should be final and unquestioned. The ruler’s position as head of state is an extrapolation of that patriarchal principle, that is, the ruler is the father of the

⁶⁴ Fu’ad, K. (1980). *Tribe and State in Bahrain*. Chicago: University of Chicago Press.

⁶⁵ Khoury, P. and Kostiner, J. (1990). *Tribes and State Formation in the Middle East*. Berkeley: University of California Press, <http://ark.cdlib.org/ark:/13030/ft0d5n99hf/>

⁶⁶ Arnason, J. P. & Stauth, G. (2004). *Civilization and State Formation in the Islamic Context: Re-Reading Ibn Khaldun*, Thesis Eleven, 76(February).

state and its citizens, just as the tribal shaykh is the father of the tribe and its members.”⁶⁷ Throughout history, and with advancements in production, the circle of the rules has gradually become bigger. From appointing close family members to general family members, and, finally, to including elites and educated merchants, the consensus has always been that a chosen group, one closely related to the ruler, is given absolute and concentrated power by virtue of their wisdom, wealth, and knowledge.

2.7 Conclusion

There has always been a strong correlation between resource wealth and lower levels of democracy. As demonstrated in this chapter, this thesis does not attempt to refute this statement; rather, it presents a more detailed overview of how other factors play a more important role in sustaining the status quo within today’s globalized world. This chapter explains the relationship, whether direct or indirect, between oil rents and the strong existence of dictatorships in the GCC countries. In that instance, one could then argue that rentierism and oil rents were—and, in a way, still are—a tool for rulers to strengthen their power, not allowing for the rise of opposition and preventing social groups from gaining any type of autonomy. In other words, the presence of oil certainly helps strengthen the pillars, which explains why most authoritarian states remain in oil-producing areas. This chapter argues that the dictatorship in the Gulf countries was not born the day oil was extracted and rent generated; rather, it began many years earlier with the evolution of

⁶⁷ Peterson, J. E. (2012). The GCC States: Participation, Opposition, and the Fraying of The Social Contract, www.jepeterson.net/sitebuildercontent/sitebuilderfiles/Peterson_GCC_States_LSE_2012.pdf. Accessed 3 January 2024.

the tribal system. One can then argue that oil and oil rents were merely tools used by the rulers to sustain and consolidate the already existing social contract. With the already existing hierarchical society, a pact was needed to maintain the authoritarian status quo, and this is where the rent pact came in.

As discussed by Herb, “all dynastic monarchies are oil-rich, and thus it is impossible to separate family participation from high rent income and large public spending schemes when discussing the question of durability.”⁶⁸ These findings, most importantly, may help RST remain relevant as an explanation of a particular type of social contract, with both theoretical and normative implications for oil and gas-rich states.

One of the main important characteristics of rentierism is the favoring of elites and the increase of socioeconomic inequalities in a society in which a certain limited group has the main access to all productive opportunities. With the need for economic diversification, Gulf states were pushed to depend on the private sector, thus strengthening the elite even more. The next chapters examine whether Gulf states are diversifying their economies and moving away from the rentier model, or if they’re enabling and strengthening their rentier characteristics by allowing the ruling family and the elites to have full control of the economic and political scene.

By reviewing the literature on our two variables, one could very clearly notice the strong interdependence of one on the other. In the coming section, we explore the role of the family and the elite in the UAE and Qatar, as well as their role in both countries’ respective economies, identifying which mechanism best suits the ruler of each of the states to sustain their power.

⁶⁸ Herb, M. (1999). *All in the Family: Absolutism, Revolution, and Democracy in the Middle Eastern Monarchies*. State University of New York Press.

CHAPTER 3

CASE STUDY: THE UNITED ARAB EMIRATES

3.1 Overview

As demonstrated in the past chapter, throughout time, two main variables have dominated the literature on Gulf states. First, the economy relies on oil as the main source of wealth. Second, ruling families and elites control the political scene and the decision-making processes. Major developments have been made in regard to those two variables in recent years, and great change has been brought, especially when it comes to the diversification of the economies.

The diversification plans of many GCC countries are aimed at developing the non-oil sectors to assure sustainable long-term benefits, even after the exhaustion of oil reserves. This is relevant within the context of the International Monetary Fund's announcement that "unless substantive policy changes are made soon, Gulf countries could exhaust their wealth within a few years, beginning with Bahrain in five years, Oman in 10 years, and Saudi Arabia within 15 years."⁶⁹ Additionally, due to the fluctuations in oil prices and after the 2009 recovery from the fall in oil prices, the GCC leaders realized the need to have other strong existent sectors to satisfy the needs of their populations away from hydrocarbon resources, and to invest in and strengthen productive sectors based on knowledge, innovation, and technology. Since 2018, the rulers of both

⁶⁹ Kabbani, N. (2021). The Long Road to Economic Transformation in the Gulf. *The Cairo Review of Global Affairs*, The Cairo Review of Global Affairs, <https://www.thecaireview.com/essays/the-long-road-to-economic-transformation-in-the-gulf/>.

Qatar and UAE have put in place and implemented very successful and powerful visions to diversify and open up their economies, which we elaborate on in the coming chapters.

In the following chapters, and with the selected case studies of the UAE and Qatar, this thesis analyzes those changes and explores the extent to which they have brought change to the political and economic scenes in the Gulf area.

3.2 General Overview of the UAE's Economy Today

Despite its still strong reliance on oil today, with over 70% of the federal government's income deriving from non-oil industries, the UAE has been considered one of the most successful GCC countries in diversifying its economy, reducing its dependency on oil, and promoting and growing the private sector. The “oil sector’s share in GDP of the UAE has declined considerably over the past years. From 46.9% in 1980, the oil sector’s share in the total GDP of the UAE has declined to as low as 16.75% in 2019.”⁷⁰

With massive investments made in the sectors of tourism, infrastructure, aviation, telecommunication, real estate, education, healthcare, and leisure, the UAE has been seen as a model for economic diversification and liberalization by other Gulf states and has succeeded in building an innovative and competitive economic model, based on advanced technology and clean energy, without challenging the country’s traditional neo-patrimonial leadership structure. In fact, according to a 2021 Gulf News report, the UAE has managed to emerge as the fastest-growing

⁷⁰ Auchoybur, N. (2019). Part One: How Is the UAE Diversifying Its Economy to Attract Investment? *Ocorian*, www.ocorian.com/insights/part-one-how-uae-diversifying-its-economy-attract-investment. Accessed 5 January 2024.

investment destination in the Middle East region.⁷¹

Despite such growth, and as the second largest Arab economy today, the UAE's rulers seem to have bigger aspirations and plans concerning their states, and the country's diversification projects are ongoing and growing by the day. They have shown great openness and flexibility in adopting distinct and new economic models as well as capitalizing on international economic partnerships, starting with the 2021 Vision.⁷² With the 2030 economic vision,⁷³ the UAE aims to build a "vibrant, sustainable and secure business environment"⁷⁴ and to become the touristic and business hub of the region.

In an effort to move from a one-commodity economy and reduce reliance on the hydrocarbon sector, the UAE had to apply structural changes to the economy in order to achieve real diversification and bring about real long-term change. "Structural change usually refers to profound changes in the composition of employment and in the relative contribution of primary, secondary and tertiary sectors to aggregate growth."⁷⁵ This means the UAE had to bring change to

⁷¹ Shadab, S. (1970). *The New Arab Gulf: Evaluating the Success of Economic Diversification in the UAE*. SpringerLink, Springer Nature Singapore, link.springer.com/chapter/10.1007/978-981-19-7796-1_25.

⁷² The 2021 Vision is a long-term plan launched by H. H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai in 2010. According to the official website of the United Arab Emirates Cabinet, the 2021 Vision "consists of four main elements: 'An ambitious and confident nation grounded in its heritage,' 'A strong union bonded by a common destiny,' 'A competitive economy driven by knowledgeable and innovative Emiratis,' and 'A nurturing and sustainable environment for quality living.'"

⁷³ According to its official website, the 2030 vision is a long-term plan launched by the government of Abu Dhabi for the transformation of the emirate's economy. The plan includes "a reduced reliance on the oil sector as a source of economic activity over time and a greater focus on knowledge-based industries in the future."

⁷⁴ Auchoybur, N. (2019). Part One: How Is the UAE Diversifying Its Economy to Attract Investment? *Ocorian*, www.ocorian.com/insights/part-one-how-uae-diversifying-its-economy-attract-investment. Accessed 5 January 2024.

⁷⁵ Schilirò, D. (2012). *Knowledge-Based Economies and the Institutional Environment*, Theoretical and Practical

the production and employment structure of the state, as well as make changes in regard to the foreign trade and legal systems, with implications on industrialization, urbanization, and infrastructure. Thus, in the next chapter, we examine the biggest advancements made in the most prominent sectors and assess the change they have brought to the state and society.

3.2.1 Tourism

In their program of economic diversification, rulers in the UAE have given great importance to the tourism sector, and many projects and iconic attractions have been built. Further, the hospitality sector has thrived, with the sole purpose of attracting tourists and global investors. To reach such a goal, the UAE has largely invested in infrastructure and transportation; the country is expected to spend \$89.93 billion on infrastructure by 2026, according to a UAE Infrastructure reported BMI research.⁷⁶

“According to the Department of Tourism and Commerce Marketing (DTCM), 11.6 million tourists visited Dubai in 2017. Further, according to the “Travel and Tourism Economic Impact 2017 UAE” published by the World Travel and Tourism Council (WTTC), the tourism sector contributed 18.6 billion dollars to the UAE economy in 2016. The WTTC predicts tourism’s contribution to the UAE GDP at the rate of 5.1 percent per annum this decade and reaching 5.4 percent of GDP by 2027.”⁷⁷ In addition, “in 2011, 8.2 million overseas visitors sought out the UAE

Research in Economic Fields, III(1): 42-50.

⁷⁶ Ibid.

⁷⁷ Talwar, A. (2022). From Oil to Diversification of the UAE: An Economic Perspective. *Diplomacy & Beyond Plus*, 17 Feb. 2022, diplomacybeyond.com/from-oil-to-diversification-of-the-uae-an-economic-perspective/.

as a holiday destination, and only the contribution of Hotel and Restaurant sector to total GDP in 2011 has been equal to 2 percent.⁷⁸ During the last 10 years, the UAE remained the top-ranking touristic destination in the Middle East and Africa region and ranked seventh in the top 20 global destination cities in 2013.”⁷⁹

The rapid and dramatic growth in the tourism sector throughout the past years has not only helped decrease the reliance on oil and raise the national income; it has also strongly impacted the level of employment as well as the foreign exchange rates. In 2006, 294,000 individuals in the UAE were employed in tourism-related projects and facilities.⁸⁰

When discussing matters of work and employment, it is crucial to look at how non-nationals are integrated in the economy. Another way to ensure the superiority and control of UAE citizens is the *Kafala* system. A total of 90% of the UAE’s population consists of foreign nationals and a huge number of low-wage and semi-skilled workers exist in the country, comprising a substantial part of its economy. “Labor migration to the UAE is regulated by a private sponsorship system known as kafala [...], which “remains a critical ingredient in the state’s capacity to ensure political control in a situation where only a minority of the population has citizenship rights and

⁷⁸ Hussein, S. (2015). Understanding Marketing Strategies with Particular ... - *Sage Journals*, journals.sagepub.com/doi/10.1177/1467358414567799?icid=int.sj-abstract.citing-articles.3. Accessed 5 January 2024.

⁷⁹ Deulgaonkar, P. (2013). Dubai Among Top 10 Global Destination Cities in 2013. Available at: <http://www.emirates247.com/news/emirates/dubai-among-top-10-global-destination-cities-in-2013-2013-05-28-1.508217>

⁸⁰ Hussein, S. (2015). Understanding Marketing Strategies with Particular ... - *Sage Journals*, journals.sagepub.com/doi/10.1177/1467358414567799?icid=int.sj-abstract.citing-articles.3. Accessed 5 January 2024.

where legal and social power rests with a small group of royal families.”⁸¹ The Kafala system creates “ a social contract between the state and the citizen, which effectively promises the latter a ready source of revenue and significant control over migrant labor in return for reduced social and political freedoms.”⁸² The Kafala system has been seen in the Gulf as a matter of national security and national identity, as it gives the citizens control over the migrants, assuring the latter are always compliant.

3.2.2 The Construction Sector in the UAE

One of the major fields that have recently grown and developed following the stabilization of oil prices—and within the diversification programs—was the construction and infrastructure sector. “In October 2022, the UAE government announced its federal budget expenditure of more than AED252 billion between 2023 and 2026, with 39% allocated to the social development and benefits sector that will act as a further catalyst for heightened growth in the construction industry.”⁸³ Such growth was related to the UAE’s vision of becoming a touristic hub. In fact, most of the development in the construction industry was related to luxurious hotels, residential areas, and a marina. In 2021, Dubai announced “The Project of 50,” which has strongly impacted the construction sector and included “a series of developmental and economic projects to further

⁸¹ Mustafa, Q. (2020). Dubai’s Role in Facilitating Corruption and Global Illicit. *The UAE’s Kafala System: Harmless or Human Trafficking?* www.jstor.org/stable/resrep26918.13.

⁸² Ibid.

⁸³ Kotb et al. (2023). Construction Law 2023. *Construction Law 2023 - UAE / Global Practice Guides / Chambers and Partners*, practiceguides.chambers.com/practice-guides/construction-law-2023/uae/trends-and-developments. Accessed 30 Jan. 2024.

accelerate the UAE's development and transform it into a comprehensive and competitively advantageous hub that attracts more than USD149.8 billion in foreign direct investment over the next nine years.”⁸⁴ All those projects have obviously contributed to the increase of the number of tourism, with the latter becoming a major contributor to the UAE's economy and global image.

The UAE's biggest projects and most iconic landmarks, such as Burj Khalifa, Dubai Mall,⁸⁵ and the Dubai Fountain are developed by Emaar Properties, a real estate developer founded in 1997. Emaar was founded with the main objective to capitalize on the huge housing demand in the UAE, and it has been strongly contributing to the development of the country's economy ever since. With a vision “to transform into one of the most valuable lifestyle developers in the world beyond real estate development,”⁸⁶ Emaar has strongly impacted the development of the UAE. Due to its large number of projects, it provides a great number of job opportunities in different fields, such as real estate, construction, and infrastructure, as well as the tourism sector. In addition, such projects have obviously attracted foreign investment, contributing once again to the development and diversification of the economy. Very recently, “Emaar Properties has announced plans for a massive \$130 billion investment in UAE by 2040,”⁸⁷ which is expected to strongly impact the economy. It is also important to note that the government of Dubai owns 32% of Emaar real estate developers.

⁸⁴ Ibid.

⁸⁵ Burj Khalifa is considered the tallest building in the world and Dubai Mall, the largest one in the world.

⁸⁶ Mohammad, Edrees (2023). Emaar Properties Boosts Dubai, Abu Dhabi Rebounds | Reuters. *Emaar Properties Boosts Dubai, Abu Dhabi Rebounds*, www.reuters.com/world/middle-east/emaar-properties-boosts-dubai-abu-dhabi-rebounds-2023-11-10/. Accessed 31 January 2024.

⁸⁷ Ibid.

3.2.3 Trade, Foreign Investment, and Ease of Business

Other than tourism, trade plays a vital role in the UAE's economy and has been of great help to the state both in the post-2009 recovery, as well as amidst the post-pandemic recovery. According to the UAE's Ministry of Economy, the trade balance represented 23.5% of the GDP and achieved a huge surplus in 2012. Starting the year 2015, trade served as a main actor in the UAE's economy, "with total trade in goods and services equivalent to nearly 176% of GDP in 2015."⁸⁸ The UAE's strategic geographic location between East and West has strongly facilitated its endeavor to become a trade and business hub for businesses wishing to access markets and invest Europe, Africa, and Asia. With its large ports and free zones, coupled with efforts to ease the creation of businesses and establish economic zones, UAE leaders have successfully been able to promote trade and attract foreign investment. According to the United Nations Conference on Trade and Development (UNCTAD),⁸⁹ the UAE ranks as a top destination in the Arab world for foreign direct investment, attracting \$13.8 billion in investments in 2019. In 2022, the UAE non-oil foreign trade total has set a new growth record with a total of AED 2.233 trillion.

In this same context, in the World Bank's 2019 global Ease of Doing Business listings,⁹⁰ the UAE ranked 11th, which is the highest ranking among Arab countries and highest in the Middle East and Africa region. In addition, as a step toward attracting investors and being open to international

⁸⁸ World Trade Organization (WTO). www.wto.org/english/tratop_e/tpr_e/tpr_e.htm. Accessed 6 January 2024.

⁸⁹ "Home." *UNCTAD*, 18 Dec. 2023, unctad.org/.

⁹⁰ *Doing Business 2019*, www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_print-version.pdf. Accessed 6 January 2024.

collaborations, on 30 October 2018, the UAE issued a decree “relaxing existing domestic ownership restrictions and representing the next step towards permitting 100% foreign ownership outside of free zones.”⁹¹

Throughout the last few years, many other crucial structural changes have been made by the UAE leaders to attract foreign investors. In 2020, to encourage the youth and build a more modernized economy, the Dubai International Financial Center (DIFC) introduced a new license starting at an annual cost of \$1,500 for startups and entrepreneurs.⁹² Soon after, in 2021, Dubai allowed investors to obtain trade licenses with the *Invest in Dubai* platform for the first time and announced more than 1,105 business activities eligible for full foreign ownership. Additionally, in 2022, the Abu Dhabi Department of Economic Development (ADDED) removed more than 20,000 of the requirements it had set for opening a business in the UAE, thus attracting a huge number of business owners.⁹³

Moreover, to set an attractive environment and ease the stay of foreigners, the UAE changed its work week for government institutions, aligning with world markets. Instead of the weekend being Friday and Saturday like in all Arab states and MENA countries, the UAE switched its weekend to Saturday and Sunday in alignment with Europe and the Western world. A few months after this decision, in an effort to further ease the life of the expats, “the UAE updated the

⁹¹ Auchoybur, N. (2018). Why Do Business in the UAE? *Ocorian*, www.ocorian.com/insights/why-do-business-uae. Accessed 6 Jan. 2024.

⁹² “United Arab Emirates - United States Department of State. *U.S. Department of State*, U.S. Department of State, 7 December 2023, www.state.gov/reports/2023-investment-climate-statements/uae/.

⁹³ Ibid.

personal status laws for all non-Muslim foreigners in December 2022 to align regulations relating to civil marriage, divorce, and child custody with Western legal frameworks.”⁹⁴ In its openness and modernization efforts, the UAE has been promoting female empowerment and has ordered all firms listed on its stock exchanges to have at least one woman as a member of their board of directors.

Another crucial aspect attracting business owners and investors to the UAE is the absence of corporate taxes. With the availability of 46 free zones in the country, most businesses (with the exception of oil companies and foreign banks), are exempted from paying taxes for long periods of time, with those periods usually even extended. Similarly, tax income does not exist in the UAE, regardless of the person’s nationality or residency status. Self-employed individuals or freelancers residing in the country are also exempt from taxes. Despite the fact that the UAE does not impose income tax, other forms of taxation have generated great revenue in the past years. In fact, after its introduction in 2018, the 5% Value Added Tax (VAT) generated almost \$7.4 billion in revenue in its first year alone.⁹⁵

As previously explained, the lack of taxation does not only attract businesses; it also leads to more internal stability and generates authoritarian legitimacy. By reducing taxes, increasing public spending, and presenting their citizens with subsidized housing, healthcare, and education, the ruling elite succeed in preventing any sort of discontent or public mobilization.⁹⁶

⁹⁴ Hussein, S. (2015). *Understanding Marketing Strategies with Particular ... - Sage Journals*, journals.sagepub.com/doi/10.1177/1467358414567799?icid=int.sj-abstract.citing-articles.3. Accessed 5 January 2024.

⁹⁵ Coady, M. (2023). Why is There No Income Tax in the UAE? A Comprehensive Analysis. *WHY IS THERE NO INCOME TAX IN THE UAE? A COMPREHENSIVE ANALYSIS*, mikecoady.com/blog/why-is-there-no-income-tax-in-the-uae-a-comprehensive-analysis/.

⁹⁶ Smith, B. (2004). Oil Wealth and Regime Survival in the Developing World, 1960–1999. *American Journal of*

The previous section has demonstrated the success of the UAE in diversifying and modernizing its economy during the past years. The remarkable progress discussed above is widely due to the visions set by the UAE leaders and their ambition to rebuild and transform their country. To examine the structural changes made in the UAE's society and assess to what extent its leaders are willing to bring reform and impact the status quo, one has to look at the main actors in the economy today, specifically those in the private sector. In the coming section, we examine the role of the state, the ruling family, and the elite in the private sector, assessing their effect and contributions to the economy.

3.3 A General Look at the UAE's Political System Today

Composed of seven emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah, and Fujairah), with seven ruling families making up the Federal National Council (FNC), the highest legislative and executive authority in the country, the UAE is classified as a monarchy with a federal system of government. Each of the seven emirates has an 'Emir'; all coming from the UAE's royal lineage and descending from different tribes (except the royal families of Dubai and Abu Dhabi, who are related and descend from the same tribe).⁹⁷ Every five years, members of the council elect one of the seven emirs as the UAE president and another one as the Prime Minister. Although never made official, it is known and agreed upon that the

Political Science 48, no. 2: 232-246; Waldner, D. and Smith, B. (2013). *Rentier States and State Transformations*.

⁹⁷ As previously explained in chapter 1, the tribal nature of the region is the most important characteristic the literature is based on while discussing the structure of the Gulf states and its political systems. The modern Gulf monarchies of today have emerged out of tribal coalitions that inhabited the region centuries ago.

presidency is hereditary to the Al Nahyan family⁹⁸ of Abu Dhabi and the Prime Minister post is hereditary to the Al Maktoum family⁹⁹ of Dubai. It is important to note that Dubai and Abu Dhabi possess a veto right over any internal decisions. The UAE does not conduct elections at the executive level and citizens do not have any role in choosing or changing their government. The only elections in the country are those of the advisory FNC and it lacks universal suffrage. Further, “these elections are restricted at two levels. For one, citizens only elect half the candidates in their emirate, with the other half appointed by the respective ruling family. Second, the electorate is selected among designated UAE nationals who are then allowed to vote for the candidates.”¹⁰⁰ Such limitations make the number of those eligible to vote very low each time, with an even lower number of those who actually cast a ballot.¹⁰¹

It is also crucial to note that most of the 20 appointed members of the FNC (out of 40) come from the country’s most prominent merchants or social elites. Another important factor to consider is that members of the ruling families control most of the governmental positions, as well as executive and legislative ones, with members of the merchant families ranking second. In addition, the formation of political parties in the UAE remains prohibited and members of the ruling family portray them as “polarizing” and “threatening the unity of the state and the

⁹⁸ Abu Dhabi, the UAE’s capital, is ruled by the Al Nahyan Family, a royal family descending from the Bani Yas tribe branch, one of the most powerful tribes in Ancient Arabia.

⁹⁹ Also originally descending from the Bani Yas tribe, the Al Maktoum family is Dubai’s ruling royal family and usually considered the main actor behind the success of the UAE’s recent economic diversification projects.

¹⁰⁰ Bertelsmann Stiftung, BTI 2020 Country Report — United Arab Emirates. Gütersloh: Bertelsmann Stiftung, 2020.

¹⁰¹ According to the 2022 BTI report, “while the eligible electorate was increased from approximately 225,000 voters in 2015 to 337,000 voters in 2019, this still means that only slightly more than one-third of the UAE nationals were eligible to vote. Of that number, just 35% actually cast a ballot in the October 2019 elections.”

cohesiveness of society.”¹⁰² It is safe to say that the UAE’s political system today “continues to be defined by the traditional patriarchal style of leadership that is comprised of political loyalties structured around the country’s various tribal elements.”¹⁰³

3.4 The Political History of the UAE’s Business Elites

With the discovery of oil in 1971 and the formation of the independent state of the UAE, the basis of rentierism was established and the strong reliance on the government began, thereby weakening the private sector, which was once the main controller of the trade and economy.¹⁰⁴

Yet, the UAE’s ruling family is a great example of a nation that has used elite co-optation as a way to secure their rule and avoid risks of opposition. After 1971, merchant elites, not wanting to lose their power, started getting closer to members of the ruling family and built close ties with them, even managing to gain access to oil revenue. With time, those elites were favored by the ruling family and continued to be involved in important decision-making processes in the country. Benefiting from this arrangement economically, the merchant elite never requested power and were in accordance with the status quo, as long as their needs were met and their wealth was on the increase.¹⁰⁵ Thus, naturally speaking, “the current structure of the private sector in the UAE is a result of a historical interaction between local merchant elites, foreign merchants, political

¹⁰² Ibid.

¹⁰³ Bertelsmann Stiftung, BTI 2020 Country Report — United Arab Emirates. Gütersloh: Bertelsmann Stiftung, 2020.

¹⁰⁴ Almezani, K. (2013). Private Sector in the UAE and their Role in the Process of Economic and Political Reform, in *Business Politics in the Middle East*, eds. Steffen Hertog and Giacomo Luciani, and Marc Valeri. London: Hurst, 43-66.

¹⁰⁵ Ibid.

authorities, and the increase in oil prices during the early 1970s that led to the dominance of the state over the private sector.”¹⁰⁶ Several scholars argued that the small size of the UAE family was also another major reason behind its need to co-opt the elite. To gain more power, the ruling family had to include tribe leaders from other clans in government and benefit from their business interests. Lineage from those tribes is well placed in highly administrative positions in the country. Many of today’s prominent Emirati businessmen come from families of community leaders in the pre-1971 era.¹⁰⁷ In fact, “families that maintained strong relations with the ruling families have gained more economic interests than those that have been politically marginalized. Families whose members have helped ruling families to run their businesses today occupy ministerial positions.”¹⁰⁸ On the other hand, “marginalized families [...] have received less support from the government owing to their limited historical and social connections with the ruling families.”¹⁰⁹ Throughout time, and more recently with projects of economic diversification, the literature has been accrediting the role of the merchant elites in the UAE’s economy and considering them as the first and main contributors behind the success of the state’s development in the pre-oil era. Many scholars argue that the elite’s interest in a growing economy and their benefiting from the diversification of the economy, along with their closeness to the ruling family, was one of the vital

¹⁰⁶ Ibid.

¹⁰⁷ Hertog, S. (2014). State and Private Sector in the GCC after the Arab Uprisings, eprints.lse.ac.uk/54399/1/Hertog_state_private_sector_GCC_after_arab_uprising_final.pdf. Accessed 7 Jan. 2024.

¹⁰⁸ Almezani, K. (2013). Private Sector in the UAE and their Role in the Process of Economic and Political Reform, in *Business Politics in the Middle East*, eds. Steffen Hertog and Giacomo Luciani, and Marc Valeri. London: Hurst, 43-66.

¹⁰⁹ Ibid.

factors behind such sustained development.¹¹⁰

3.5 A Look at the Private Sector Today

In order to demonstrate the crucial role that members of the ruling family and the merchant elites play in the economy of the UAE today, Khaled Almezani¹¹¹ divides the private sector into three categories, explaining the role and effect of each one of them. In the coming section, we use his division as a base for our analysis of the dynamics of the political and economic structure of the UAE today.

In the first category, Almezani discusses state-dominated companies. These are companies that are “supposedly private” but are managed and run by the state, which is a dominant shareholder in them, with members of the merchant elites highly present on the boards of directors of the majority of those companies. Importantly, he adds that “the state has monopolized certain industries, such as oil, and other highly valuable areas of manufacturing, not because of the limited capacities of the private sector, but because of concerns for national security and regime survival.”¹¹²

¹¹⁰ Althani, A. J. (1970). *Economic Development Models of Doha and Dubai: A Comparative Analysis*. *SpringerLink*, Springer Nature Singapore, 1 Jan. 1970, link.springer.com/chapter/10.1007/978-981-19-7796-1_26.

¹¹¹ Almezani, K. (2013). Private Sector in the UAE and their Role in the Process of Economic and Political Reform, in *Business Politics in the Middle East*, eds. Steffen Hertog and Giacomo Luciani, and Marc Valeri. London: Hurst, 43-66.

¹¹² Almezani, K. (2013). Private Sector in the UAE and their Role in the Process of Economic and Political Reform, in *Business Politics in the Middle East*, eds. Steffen Hertog and Giacomo Luciani, and Marc Valeri. London: Hurst, 43-66.

The second category comprises small and medium enterprises (SMEs); with 175,000 SMEs in the UAE, 95,000 of which are in Dubai, SMEs present great importance to the UAE's economy and contribute to more than 70% of Dubai's GDP. Yet, due to the state monopolization discussed earlier, SMEs are limited in certain sectors and, again, members of the ruling families own most of those enterprises.

Lastly, we have the large family businesses, which are owned by the merchant families and elites. They present around 90% of the private companies of the UAE and vary widely in different sectors. Almezani states that they contribute an estimated 30 to 40% of the country's GDP and explains the difficulty in acquiring an exact number because "the figures concerning their contribution to the economy are among the most protected in the government; hence neither private nor governmental statistics are available."¹¹³ The author explains how members of the ruling family facilitate the establishment of the large family businesses, favor their creation, and ease all the rules and laws concerning their benefits. It is usually stated that due to the huge number of members of the ruling family involved in private businesses, drawing a line between the private and public sectors in the UAE businesses seems almost impossible.

Looking at the private sector, and the business scene in general, one could see how merchant elites in the UAE and the state are so politically and economically intertwined, and how this serves the legitimacy of the rulers. By co-opting a greater number of people, the rulers secure their power and assure the support of a prominent part of society. This also shows how business in the UAE still very much—whether directly or indirectly—depends on the state, and the private

¹¹³ Ibid.

sector remains more dependent on the government than in other areas of the world. It is also crucial to notice how important developments in the state are driven by state spending.¹¹⁴

3.6. Conclusion

In very recent years, with the economic diversification of the UAE's economy and the focus scholars have given to this case study, the literature has been revolving around the idea that despite such tremendous progress in the economic sector, no improvement has been established in the political structure of the state, which remains authoritarian. In fact, the openness and diversification of the economy led to a decline in political openness and has made political power even more centralized in the hands of the government, hence the ruling family, with no intention in sight to expand participatory mechanisms for the Emirati population. With most business growth remaining financed by the state and with important business and governmental positions restricted to members of the ruling family and of the merchant elites, almost no economic or political is given to the masses.

Looking at the characteristics of late rentierism presented by Gray and previously discussed in the first chapter, one can see how they perfectly fit the description of the UAE today. Currently, the state is “undemocratic” yet “strategic in its thinking,” with the state acting as “the strategic thinker” and clearly with an active economy open to globalization.

¹¹⁴ Hertog, S. (2013). State and Private Sector in the GCC after the Arab Uprisings. *Journal of Arabian Studies*, vol. 3, no. 2, pp. 174-195, <https://doi.org/10.1080/21534764.2013.863678>.

Yet, as shown in this chapter, the basis of rentierism is still very apparent in the UAE, today, and despite all the changes discussed, the government's legitimacy is sustained by the continuous economic growth and the privileges¹¹⁵ presented to the people by the state. As mentioned by Herb, "the enormous improvement in the standard of living of Emirati citizens over the past two generations has no doubt damped down the sort of dissent that is generated by economic hard times."¹¹⁶ He claims that the silence of the UAE citizens and their lack of political influence is compensated by "a privileged claim on state resources in the form of state employment, free education, free healthcare, housing subsidies and the like."¹¹⁷ The UAE's response to the Arab uprisings of 2011, along with many other GCC states, has once again shown the relevance of RST today. In 2011, "the United Arab Emirates (UAE), army pensions increased, and more subsidies were given for rice and bread. In addition, the UAE government promised to increase the number of businesses in different parts of the country, in areas that have been neglected for quite a long time."¹¹⁸ Once again, oil-rich countries have used their wealth to silence the people and stifle any attempt of uprisings against the government.

With economic uncertainties and oil prices and with uprisings in the region, the UAE has, more than any other time, realized the importance of elite co-optation in consolidating their power

¹¹⁵ The UAE offers its citizens social security benefits, free or subsidized housing, an extremely technologically well-developed healthcare system, highly advanced educational opportunities, and many more benefits.

¹¹⁶ Herb, M. (2009). A Nation of Bureaucrats: Political Participation and Economic Diversification in Kuwait and the United Arab Emirates, *International Journal of Middle East Studies*, vol. 41, no. 3, 375-395.

¹¹⁷ Ibid.

¹¹⁸ Sika, N. (2014). Dynamics of Development and Uprisings in the Arab World. *Mediterranean Quarterly*, 31 May 2014.
www.academia.edu/5732708/Dynamics_of_Development_and_Uprisings_in_the_Arab_World?email_work_card=view-paper.

and increased the privileges given to the merchant elites to abort any plans of mass discontent and requests for regime change, by the mass or the elites. Other than elite co-optation, the UAE uses repression as a tool for sustaining the status quo. “Internal security services are omnipresent and current legislation forbids any criticism of the state or anything that can be classified as harming the reputation of the country,”¹¹⁹ and they “regularly undertake actions against anyone suspected of potentially undermining the stability of the country, often preemptively.”¹²⁰ In addition, “Emiratis are not allowed to form or join a union; collective bargain; strike; or exercise the rights of peaceful assembly, association, and protest. Prominent human rights defenders have been abducted (enforced disappearance) and prosecuted after making even seemingly minor demands, such as greater freedom of expression and political freedom.”¹²¹ In fact, after the Arab uprisings, the state has become even more repressive than before and implemented new laws prohibiting criticizing the government and limiting freedom of speech. “Since 2011, numerous organizations have been dissolved or banned and others have seen their executive boards replaced with government appointees [...].”¹²² In addition, “the 2019 Human Rights Watch World Report specifically states that “UAE authorities have launched a sustained assault on freedom of expression and association since 2011.”¹²³ It is also worth noting that the media system in the UAE is regulated and fully controlled by the state, more specifically by the National Media Council.

¹¹⁹ Bertelsmann Stiftung, BTI 2020 Country Report — United Arab Emirates. Gütersloh: Bertelsmann Stiftung, 2020.

¹²⁰ Ibid.

¹²¹ Emiratis are not allowed to form or join a union; collective bargain; strike; or exercise the rights of peaceful assembly, association, and protest. Prominent human rights defenders have been abducted (enforced disappearance) and prosecuted after making even seemingly minor demands, such as greater freedom of expression and political freedom.

¹²² Bertelsmann Stiftung, BTI 2020 Country Report — United Arab Emirates. Gütersloh: Bertelsmann Stiftung, 2020.

¹²³ Ibid.

Media channels are completely prohibited from criticizing the government or discussing any matters related to the state's security based on the media law promulgated in 1972.

Looking at the UAE today, and the vision the leaders have for their country, it is evident that expanding participatory political rights is not a priority in the government's agenda and no advancements in that regard seem to be intended anytime soon; the hereditary ruling arrangement will seemingly continue without any modifications. Elite co-optation and repression seem to prevail as the leaders' tools to sustain the status quo.

CHAPTER 4

CASE STUDY: QATAR

4.1 An Overview of the Qatari Economic Scene Today

Starting 2018,¹²⁴ with the approval of the Qatar National Vision 2030, an era of economic diversification has also started in Qatar. With the aim of serving as a clear roadmap for Qatar's long-term futuristic plans, this vision provides a detailed framework in which national strategies can be developed, maximizing profit for the Qatari people and providing them with a high standard of living.¹²⁵ Despite its huge focus on diversifying its economies and reducing its extreme dependence on the oil sector, Qatar, the biggest producer and exporter of liquefied natural gas (LNG) in the world, still focuses "on the energy sector as an important source of national revenue by working towards increasing natural gas production levels and supply 25% of the world's total LNG."¹²⁶ Through the different plans and visions implemented by the Qatari leaders, one could very easily notice their urge to develop both sectors equally; relying on the oil-sector, just as much as the non-oil sector, for their growth and development.

¹²⁴ According to data from the official website of the state of Qatar, "Qatar's non-oil sector grew by 5.7% year on year in the first three quarters of 2018, the strongest growth period in three years."

¹²⁵ "Human Development." *Qatar National Vision 2030*, www.psa.gov.qa/en/qnv1/pages/default.aspx. Accessed 10 January 2024.

¹²⁶ *Economic Policy - Government Communications Office*, www.gco.gov.qa/en/focus/economic-policy/. Accessed 10 January 2024.

Since the early 2000s, Qatar has been relying on soft power to gain political influence. By promoting tourism, hosting sports, and investing in culture, the state gained influence and prominence, regionally and internationally. The Qatari leaders aspire to transform the country into a cultural and sporting hub, attracting a great number of tourists.

4.1.2 Foreign Investment and Ease of Business

During the last few years, in tandem with its vision of diversifying and opening up its economy, Qatar has undergone major steps to further attract additional foreign direct investment (FDI). Starting 2020, non-Qataris were, for the first time, allowed to purchase real estate in nine different areas of the country. With such purchases, they're also granted the right to live in Qatar. In addition, the state has passed "a foreign investment law¹²⁷ that allows foreign firms to have up to 100% ownership in most economic sectors and a Public-Private Partnership (PPP) Law to promote economic diversification and create greater opportunities for U.S. companies in the education, environmental technologies, and healthcare sectors."¹²⁸ In fact, "businesses setting up operations in Qatar enjoy competitive benefits, including a legal environment based on English common law, the right to trade in any currency, 100% repatriation of profits and a 10% corporate tax on locally sourced profits."¹²⁹ In addition, to encourage foreign investors in Qatar, the government has eased the process in so many ways. For instance, the law states "non-Qatari

¹²⁷ Article 2 of this law explicitly states: Without prejudice to legislations regulating non-Qataris' practices of commercial businesses and professions, and the provisions of Article (4) hereof, a non-Qatari Investor may invest in all economic sectors even with a capital up to 100% in accordance with the Executive Regulations of this Law.

¹²⁸ "Qatar - Market Overview." *International Trade Administration | Trade.Gov*, www.trade.gov/country-commercial-guides/qatar-market-overview. Accessed 10 January 2024.

¹²⁹ *Economic Policy - Government Communications Office*, www.gco.gov.qa/en/focus/economic-policy/. Accessed 10 January 2024.

investment projects shall be exempted from custom taxes in respect to imported machinery and equipment needed for setting up the projects. Non-Qatari investment industrial projects shall be exempted from customs on imported raw and half-manufactured materials which are needed for production and which are not available in domestic markets.”¹³⁰

With the aim of creating an advanced, globalized, and welcoming business environment, as well as boosting domestic employment, the Qatari government has given many important privileges to non-Qatari foreign investors, “allowing them to provide up to 100% of capital for any project, and exempting them from income tax for up to 10 years.”¹³¹ This comes in addition to establishing several trade and investments agreements with different neighboring countries and being one of the least demanding tax frameworks in the world.

4.1.3 Tourism

Along the lines of their ambitious visions of economic diversification, Qatari leaders have paid great attention to strengthening their tourism and entertainment sectors. Looking at tourism in Qatar, one notices that the country is mainly focusing on culture and sports, positioning itself as a hub for both. In the last years, Qatar has hosted many important cultural and sports events that have attracted a great number of tourists, obviously on top of them the world’s biggest sports event, the 2022 FIFA World Cup. With the massive increase in tourism after the 2022 World Cup, Qatar has been ranked as the best-performing destination in the January-July 2023 period by the World

¹³⁰ Bakhtiarian, M. (2020). “Investment Guide in Qatar.” *Investment Guide in Qatar*, www.dpublication.com/wp-content/uploads/2020/12/08-608.pdf. Accessed 24 January 2024.

¹³¹ Ibid.

Tourism Organization (UNWTO). To accommodate for the great number of visitors expected, soon after winning the 2010 bid and knowing it would host the World Cup, Qatar strongly expanded its hospitality offering; a massive number of hotels of different sizes and star ratings have opened, coupled with a huge variety of restaurants from all over the world. The effects of the World Cup continue to show and are expected to continue for many years to come. Qatar Tourism (QT) also recently revealed that “as of August 25, 2023, the country welcomed more than 2.56 million visitors, which is more than the full-year arrival figures witnessed last year. The same noted that such a high number of visitors in 2023 marks a 157 percent increase over the same period in 2022.”¹³² Following 2022, Qatar is aiming to host many important events; attracting people to explore the country. Starting with the Asia Cup football tournament and World Horticultural Expo in 2023, more prominent international events have been hosted in the year after the World Cup, namely Formula 1, the Geneva International Motor Show, and the MotoGP.

In regard to the cultural sector, Qatar has established and renovated several museums and other cultural institutions in the last decade, with the Qatar Museum, the Museum of Islamic Art, the Qatar Opera House, and the National Museum of Qatar on top of the list. The 3-2-1 Qatar Olympic and Sports Museum has also been hosting exhibitions, galleries, and many other events, combining Qatar’s interest in focusing on culture and sports. “Through Qatar Museum’s Years of Culture initiative,¹³³ Qatar has been able to capitalize on its relationships with strategic partners

¹³² *Qatar Welcomes 2.56 Million Visitors during First 8 Months of 2023*, www.qna.org.qa/en/News-Area/News/2023-09/03/0058-qatar-welcomes-256-visitors-during-first-8-months-of-2023. Accessed 13 January 2024.

¹³³ Qatar Museums' Years of Culture Program is an annual cultural exchange established in 2011 to deepen Qatar's ties with

such as France, the US and India through cultural exchange and artistic collaboration.”¹³⁴ With such ongoing efforts, Qatar has been announced the Arab Tourism Capital for 2023 and is becoming a hub for arts and culture, both regionally and globally.

One of the greatest assets in Qatar’s tourism sector in recent years is the Hamad International Airport (HIA) and the state-owned airline Qatar Airways. In fact, “the major contributor to inflation in 2022 was, perhaps, surprisingly not rents but recreation, a component of the consumer price index (CPI) which is heavily driven by air travel.”¹³⁵ In addition, the HIA has been organized in a way to encourage transit and short-term stays, accommodating transit passengers. Transferring through the HIA can create great tourism results for the country and can encourage visitors to explore the country itself at any other time. “HIA has recently seen a surge in the rate of passenger transfer through Qatar, which has increased by 16% in Q2 of 2022 compared with Q1 of 2022. Moreover, the number of outbound local passengers in Q2 was 47 per cent higher than in Q1 of 2022.”¹³⁶

In the process of advancing the state and preparing it for the World Cup, Qatar highly developed its transportation infrastructure. In fact, “Qatar is assembling one of the most advanced

countries around the world through events such as festivals, exhibitions, competitions, workshops and talks. Each year, a guest country is invited to collaborate and participate in these events. Previous Year of Culture partners include France, India, Russia, Germany, China, Turkey, Brazil, the UK, and Japan.

¹³⁴ “Qatar-USA Year of Culture Exhibition: Meet the Curator - Qatar Museums.” *Qatar-USA Year of Culture Exhibition Curator - Qatar Museums*, 5 February 2021, qm.org.qa/en/stories/all-stories/qatar-usa-year-of-culture-exhibition-curator/.

¹³⁵ *Qatar Economy Watch - PWC*, www.pwc.com/m1/en/publications/documents/qatar-economy-watch-feb-2023.pdf. Accessed 13 January 2024.

¹³⁶ Ibid.

multi-modal transport infrastructure systems in the world that will facilitate long-term sustainable economic growth through the movement of people, goods and information.”¹³⁷

4.2 A General Look at the Qatari Political System Today

4.2.1 Legitimation and Repression

Starting 2004, with the constitution coming into effect, Qatar technically became a constitutional monarchy, with the Emir supposedly ruling in consultation with a Council of Ministers and an appointed Advisory Council. In reality, however, the hereditary Emir of Qatar possesses the highest executive power and is the one who approves or rejects the legislation and has the final say on all laws.

No elections are held in Qatar to elect the Emir or the Prime Minister. Since the 1800s, the Emir has come from the Al-Thani family and selects his Prime Minister, his cabinet members, and the members of legislative bodies. The Prime Minister always comes from the Al-Thani family and members of legislative bodies are divided between the Al-Thani family, as well as other prominent known families. Most, if not all, governmental posts are occupied by members of the Al-Thani family. The Emir, with the help of members of the ruling family and other elites, chooses his successor. Only two elections exist in the state of Qatar. The first elections are those of the Central Municipal Council (CMC). The council is constituted of 29 members, one for each constituency in the state, and only has advisory authorities on local affairs. However, it doesn't

¹³⁷ Abdulaziz, A. The Rise of Qatar: An Economic Success Story. *The Rise of Qatar an Economic Success Story*, www.cbq.qa/EN/AboutUs/Pages/The-Rise-of-Qatar-an-Economic-Success-Story.aspx. Accessed 13 January 2024.

possess any legislative powers and has no authority over the ministers. The second elections are to select members of the Shura council. They were first held in 2021, where 30 members out of 45 are elected. Just like the CMC, the council only has an advisory role and cannot interfere in matters related to security and defense. The number of citizens allowed to cast a ballot is still very limited, “approximately 75 percent of citizens could not vote in the 2007 municipal elections, as this right was limited to families who were in the country prior to 1930.”¹³⁸ The influence of family and tribal traditions is highly apparent in Qatar’s political scene, not only in the appointment of important positions but also in the voting laws, as well as those related to the opposition. “Tribal allegiance carries over into the structure and processes of Qatar’s political system. The patterns of today’s Qatari rule were well established before the discovery of oil. Even under the British protectorate, the systems of clientelism and patronage were in place, with the existent tribal system. With the independence of the state, the discovery of oil strengthened the existent system and placed even more power in the hands of the ruling family. Today, where electoral systems exist, most citizens vote according to their tribe; this divides representative institutions along tribal lines, helping to diffuse dissent.”¹³⁹ It is also important to note that political parties and opposition groups are not allowed to exist and are prohibited by the law in Qatar.

Although the Qatari constitution provides for freedom of speech and press, those seem to be restrained by the government. News and topics related to the ruling family, government policies,

¹³⁸ *Qatar - United States Department of State*, 2009-2017.state.gov/documents/organization/160077.pdf. Accessed 20 January 2024.

¹³⁹ “Tribal Families in Qatar.” *Religion and Public Life at Harvard Divinity School*, rpl.hds.harvard.edu/faq/tribal-families-qatar. Accessed 21 January 2024.

the economy, or Islam are of high sensitivity and are considered censored. “Although the seven daily newspapers, three in English and four in Arabic, were not state-owned, the proprietors were members of the ruling family or enjoyed close ties to government officials¹⁴⁰. The government reviewed and censored foreign newspapers and magazines for objectionable sexual, religious, and political content. Local news vendors reported that Egyptian newspapers, such as al-Ahram, “were critical of Qatar and were occasionally censored or not allowed in the country.”¹⁴¹ In addition, through a proxy server, the state monitors websites, e-chat group rooms, and e-mails, censoring any political or religious content that they dislike or deem against the state and its views. Qatari citizens are thus not allowed to express their views and opinions on the Internet. Freedom of assembly is allowed in Qatar but regulated by both the constitution and the Ministry of Interior. Demonstrations are extremely rare in Qatar, and whenever small ones occur, they’re related to international matters (such as the Israeli-Palestinian conflict) or humanitarian stands, and they are never against the government. Natural resources revenues allow states to invest in their coercive capacities—whether police or army—and enable them to secure their rule in different ways.

4.2.2 Privatization Efforts in Qatar and Elite Co-optation

In an attempt to establish a competitive business environment and support its economic development and diversification policies, the state of Qatar realized the need to reshape its regulatory framework and create one that is based on the collaborative efforts between the private

¹⁴⁰Regarding Media and the government’s control over it, Al-Jazeera is Qatar’s most prominent and most influential news outlet. Al-Jazeera was founded in 1996 by the Al-Thani ruling family and has been founded by the Qatari government ever since. Whilst the majority of critics recognize Al-Jazeera’s integrity and professionalism, others argue it is controlled and directed by the Qatari government and promotes its objectives, in the region as well as internationally, especially knowing it receives more than 90% of its funding from the government.

¹⁴¹ Ibid.

and public sectors, attracting local and foreign investors and encouraging them to contribute to the economy. To achieve such goals, the Ministry of Economy and Trade established a Technical Committee to Motivate and Engage the Private Sector in Economic Development Projects to encourage and support PPPs. Thus, starting the late 1990s and early 2000s, Qatar started its privatization efforts with the formation of the Qatar General Electricity & Water Corporation (Kahramaa), replacing the Ministry of Electricity and Water (MEW).

Such efforts have continued to be seen in many sectors, including natural gas, water, electricity, healthcare, and education, among many others. For instance, “in 1998, Qatar sold 45% of its stakes in the Qatar Telecommunications Corporation to private entities, acquiring around 2.7 billion QR (624.8 million EUR). And, three years later in 2001, the country’s port services were privatised to improve the sector’s efficiency.”¹⁴² Encouraging PPPs has been considered a main contributor in the diversification of the economy, as well as achieving sustainable economic growth. “Moreover, privatisation may help increase productivity levels in the aforementioned key sectors as the private sector is regarded as a driver of innovation and entrepreneurship while strengthening the labour market.”¹⁴³ It is important to note that the government retained majority shares in all those enterprises and thus lost no control.

¹⁴² Sophie, S. Qatar and Privatisation: Fuel for Economic Development? *Qatar and Privatisation: Fuel for Economic Development?* www.egic.info/qatar-and-privatisation. Accessed 20 January 2024.

¹⁴³ Ibid.

4.2.3 The Patron-Client Relationship

The Qatari government, perceived by its people as a service provider, pays extreme attention to providing their people with the best services; in fact, “the Public Service sector represents approximately 90% of total government activities and more than 60% of government expenditures.”¹⁴⁴ The services of healthcare, education, water, and electricity are all provided for free to Qatari citizens, no matter their social class or tribal affiliation. Yet, foreigners residing in Qatar pay for those services. Such a difference always gives the Qatari people a sense of gratitude to their government and the services it provides. The patron-client relationship between the Qataris and their ruling family is, in fact, the base to the acceptance of the status quo. In addition, based on the tribal history of the country, the Qatari people have a paternalistic relationship with the Emir and fully respect him and trust his decisions.

In addition, Qatari citizens do not pay taxes. Both Qataris and expats are exempted from personal income tax; no one in the country pays taxes on salaries, wages, and allowances, neither do they pay value-added or property tax. Regarding its corporate income tax, Qatar has a corporate income tax at the rate of 10% (which is a very low percentage compared to other countries), which is made ineffective most of the time by exemptions and does not apply to Qatari and GCC citizens. The issue of the lack of taxation serves, as previously discussed, both the rulers and the elites. “Without taxes, private sector growth does not lead to an increase in state resources and hence does not benefit the general population via more public services. Conversely, however, much of business growth in the GCC remains financed through state spending and state provision of low-

¹⁴⁴ Ibid.

price inputs, which hence become unavailable for other forms of broader distribution.”¹⁴⁵

The issue of privatization is closely tied to the legitimacy of the rulers and thus had to be done with extreme caution. “Some types of privatization policies, especially those requiring the actual transfer of public ownership to private hands, may actually mean the transfer of political power from the ruling elite to its contenders.”¹⁴⁶ This is why, although the Qatari rulers are exerting obvious efforts in diversifying and modernizing the economy, it is quite difficult to draw the line between the private and public sectors in the state. The involvement of the ruling family and business elite is very high in Qatar; “the collective nature of the political culture, in which “ruling” and “owning” are synonymous, together with hereditary rule serves to blur the boundaries between what is public and what is private.”¹⁴⁷ Qatar, followed by the UAE, has seen the largest involvement of ruling family members in the economy.¹⁴⁸ In their privatization efforts, which are shown to be limited, the Qatari ruling family and business elites were very cautious to not lose any political or economic power by doing so. For instance, the banking sector in Qatar remains under the control of the Al-Thani family, with the government owning 50% of the country’s largest banks. In addition, obviously, almost all the enterprises in the gas and oil sector, along with the industrial sector, are owned by the government. As in the majority of the GCC states, members of

¹⁴⁵ Herb, M. (2009). A Nation of Bureaucrats: Political Participation and Economic Diversification in Kuwait and the United Arab Emirates, *International Journal of Middle East Studies*, vol. 41, no. 3, 375-395.

¹⁴⁶ Mansour, A. (2007). Public Policy and Privatisation: The Case of the Qatari Experience. www.researchgate.net/publication/229473873_Public_policy_and_privatisation_The_case_of_the_Qatari_experience. Accessed 21 Jan. 2024.

¹⁴⁷ Ibid.

¹⁴⁸ Business and merchant elites also have a strong presence on the boards of most state-owned and state-dominated enterprises, perpetuating close links with the state and fostering mutual interests and trust between the state and business elites, as well as underwriting ruler legitimacy.

the ruling families in Qatar play a very important role in owning and managing businesses and are considered crucial to the stability and advancement of the economy.

The business scene in Qatar, as well as matters related to privatization, are clearly also related to tribal allegiance and to the connections between the ruling family and the business elite. In order to understand the legitimacy of the ruling family in Qatar and the importance of the elites, one should look at the type of the existent elite. Ferrel Heady categorized elite regimes into two categories: Ortho-traditional and Neo-elite regimes. The ruling elites in the Ortho-traditional regimes “owe their power position to a long established social system, which usually emphasizes inherited monarchic or aristocratic social status, but may have also a religious legitimizing base.”¹⁴⁹

As previously explained, a primary source of the Qatari ruling family’s legitimacy is their constant effective control of the country’s economic resources and the economic scene in general. Allowing others a high control of businesses would automatically entail a division in power and a loss—even if slight—control of power, which they would not allow. Thus, to sustain their control, the Qatari ruling family and the business elite highly interfere, whether directly or indirectly, in the business scene and own/control most of the important enterprises in the state, and privatization is highly limited. The law prohibits foreigners from owning or running a private enterprise in Qatar, unless they’re sponsored by a citizen partner, a system known as the *Kafala*.¹⁵⁰ By

¹⁴⁹ Heady, F. (1984). *Public Administration: A Comparative Perspective*, 3rd. ed., Marcel Dekker, INC. New York.

¹⁵⁰ *Kafala* refers to the system of labor sponsorship prevalent in the GCC and neighboring Lebanon. The system binds workers through contract to a *kafeel* (sponsor), who controls their immigration status. The *kafeel* has full control over contract terms, including wage and accommodation, as long as state law is not violated. The *kafeel* also often controls

sponsoring such firms, Qatari businessmen are, again, indirectly a part of many of those firms. “Hence government ministers, high executives and other government’s personnel are found everywhere in the private sector as chairmen of banks and companies boards of directors as well as owners of private business.”¹⁵¹ In fact, the step toward privatization took several years to be taken by the Qatari government; it has started in 1998 but moved in a very slow matter, was often postponed and never involved the petroleum sector. Yet, after deciding to open up its economies and encourage trade, and especially after winning the 2022 World Cup bid, it has become a mandatory step to be taken.

It is quite clear that the definition of privatization is perceived and implemented in different ways across different countries and systems, depending on the drive behind it and the goal the government wants to reach.¹⁵² Privatization in Western countries is completely different than the one referenced here. “In Western political cultures, where public management and financial matters were separated from the private domain and private wealth of the ruler, it became possible in the modern Western states to distinguish between the private and the public sectors in both de

the mobility of workers through the illegal confiscation of passports. Historically, workers have had to acquire an exit permit from the *kafeel* to leave the country and a non-objection certificate (NOC) to switch jobs—a policy that was officially abolished in Qatar in August 2020. Bhatti, M. (2022). Kafala Labor System Reform and the 2022 World Cup. *Center for International and Regional Studies*, cirs.qatar.georgetown.edu/kafala-labor-system-reform-and-the-2022-world-cup/.

¹⁵¹ Mansour, A. (2007). Public Policy and Privatisation: The Case of the Qatari Experience, https://www.researchgate.net/publication/229473873_Public_policy_and_privatisation_The_case_of_the_Qatari_experience. Accessed 21 January 2024.

¹⁵² When it comes to the Qatari case, “the privatization policy adopted by the government concentrated on two pillars: (1) targeting marginal social and public utilities and keeping away from the oil sector and (2) adopting a policy to diversify the economy to create new chances of investment to the hungry internal private sector.”

facto and de jure senses.”¹⁵³ When it comes to the case of Qatar, one could claim that all the government has done was to create a separate private sector, managed by members of the ruling family and the elites, just giving the impression of loss of control from the government’s side.

4.3 Conclusion

After looking at the highly important changes occurring in the state of Qatar in the previous years, one could still, like in the previously discussed case of the UAE, see how the political and economic scenes still very much revolve around the tribal and family linkages. Legitimacy in Qatar is a matter of social culture; respect for members of the ruling family and other elites from important tribes comes naturally and easily. In addition, the concept of rentierism still also plays a crucial role in that system, allowing for the establishment of a patron-client relationship between the Qataris and members of the ruling family and elites. “Since in the tribal context, ‘ruling’ is synonymous with ‘owning,’ the family is the de facto owner of all the country economic and political resources. Therefore, its legitimacy is derived from its role as allocator and distributor of resources and this requires monopolistic control of economic and political resources.”¹⁵⁴ Further, “dependence on single commodity exports shapes classes, regime types, state institutions, decision-making bodies, and decisions related to policy making.”¹⁵⁵ This has been very apparent

¹⁵³ Ibid.

¹⁵⁴ Ibid.

¹⁵⁵ Kamrava, M. (2020). The ‘Resource Curse’ in the Persian Gulf. *Google Books*, Google, books.google.com.eg/books?id=EHfnDwAAQBAJ&pg=PA2028&lpg=PA2028&dq=Dependence%2Bon%2Btypes%2C%2Bstate%2Binstitutions%2Cdecision-making

in the matter of privatization discussed in this chapter, as in all other matters regarding the business and economic fields in the state.

In *The “Resource Curse” in the Persian Gulf*, Mehran Kamrava explains how abundant natural resources always delay or impede prospects of democratization. First, the author discusses how the reliance on rents strengthens the position of the government and obstructs the need for institutional and political dynamism. Secondly, he argues that, by providing goods, the people, obviously satisfied with the high level of well-being and with the services received, are unlikely to press for change, accountability, or even political participation, which is exactly the case of Qatar today and throughout the years.

Despite opening up to global markets and encouraging diversification, this chapter has proven that all changes are made in a way to guarantee that power remains in the hands of the ruling family and the business elite and without any risks of losing any control over the economy of the state. With the support of the ruling elite and their co-optation in all businesses, the Emir guarantees the silencing of the people. In fact, with such a beneficial situation and business environment, it is very unlikely for the elites to call for change. In addition, with absolute control of the country’s resources and the business scene, the Qatari people are offered the best services, once again guaranteeing their satisfaction, thus their silence. The case of Qatar has shown that the leader uses the three pillars already discussed for the maintenance of the status quo, legitimization, co-optation, and repression. The three pillars are clearly interconnected, all based on the concept of RST.

Yet, economically speaking, and after looking at the different sectors discussed above, one could confirm that the state no longer exclusively relies on natural resources and that other sectors of the economy have definitely been modernized and highly improved. In the debate on whether oil is a curse or a blessing, scholars have argued that natural resources, if used correctly and invested in different sectors of the economy, can raise productivity levels and boost the economy. The Government of Qatar has proven that oil is not a “curse.” The Qatari case also confirms that the government has efficiently used its natural resources and opened up and diversified the economy without falling into the dangers of the Dutch disease,¹⁵⁶ all while guaranteeing no loss in power. Another commonly discussed aspect of the Dutch disease in the literature is how governments in oil-rich countries favor this sector and neglect others (such as agriculture, infrastructure, healthcare, or education). This hasn’t been the case in Qatar and, again, proved the success of the government in its recently established policies and visions for the country.

¹⁵⁶ “One of the possible harms of an oil export boom is that the rise in oil earnings leads to increased public and private spending which in turn leads to a sharp appreciation of the real exchange rate, and then to a decline in non-oil exports and to slower economic growth. This pattern is called a “Dutch Disease,” and is named after the overvaluation of the Dutch Guilder in the wake of a boom in the Netherlands’ natural gas earnings in the 1960s.” Sachs, J. (2006). How to Handle the Macroeconomics of Oil Wealth, *Initiative for Policy Dialogue Working Paper Series*. policydialogue.org/files/publications/papers/Ch07.pdf. Accessed 25 January 2024.

CHAPTER 5

CONCLUSION

This thesis has sought to engage in the debate on the effect of rentierism and its relevance to authoritarian durability in the Gulf today. The core of this thesis has been the prominent and long discussed concept of rentierism, demonstrating its generalization and criticizing its usage as the most prominent factor contributing to authoritarian durability in the Gulf today. Rather than relying on the conceptual framework of classical rentierism, this thesis has proposed a more case-specific approach, demonstrating the relevance of tribes and tribal history till today, as main actors in the Gulf. It thus concludes that wealth on its own is insufficient in securing the legitimacy of the rulers. The durability of authoritarianism in the Gulf is deeply and historically rooted in tribal and societal linkages, which constitute a huge part of the relationship between rulers and the ruled in the Gulf. The patterns of today's rule in the Gulf were well established before the discovery of oil, and continue to be based on this historical hierarchy.

The analysis of the two case studies shows that in recent years, both the UAE and Qatar have implemented tremendous projects diversifying their economies, and thus no longer only rely on natural resources. Despite the huge role oil still plays in both economies respectively, leaders have highly diversified their economies, generating wealth in different and varied fields. In both cases examined, one could claim that oil was a blessing rather than a curse. By implementing the right visions for their states and effectively utilizing their natural wealth, the leaders have grown their economies and developed, as well as diversified their countries tremendously. This confirms the idea that whether oil is considered a blessing or a curse relies on the rulers and their

management of natural resources wealth.¹⁵⁷

Yet, looking closely at the diversification projects and their ownership, along with privatization schemes, one could claim that such developments have, once again, only benefited a small segment of society and still brought no change to the status quo. Additionally, such projects have even given more power and prominence to members of the ruling family and the elite. Rather than moving away completely from the idea of rentierism, the state's activities "still amount to more sophisticated rent recycling rather than autonomous diversification."¹⁵⁸ With members of the ruling family and the elite owning most of the big projects and being placed in the highest positions, whether in the government or in the business scene, this thesis concludes that elite co-optation is the strongest and most effective monarchical survival tool used by Gulf leaders today. The influence of family and tribal traditions is highly apparent in both countries; they're at the core of the economic and political scenes and determine all aspects of state building processes, as well as its diversification and development.

As previously discussed, Qatar and the UAE present perfect cases of the concept of "late rentierism" presented in the first chapters. The two case studies provide evidence of Luciani's belief that the ruling elites in the Gulf states today are strongly committed to developing and diversifying their economies. Both the UAE and Qatar confirm Luciani's argument that oil becomes one of the strongest assets of the state when coupled with public policies that encourage

¹⁵⁷ Kamrava, M. (2018). Oil and Institutional Stasis in the Persian Gulf. *Journal of Arabian Studies* 8, no. 1.

¹⁵⁸ Hertog, S. (2013). State and Private Sector in the GCC after the Arab Uprisings. *Journal of Arabian Studies*, vol. 3, no. 2, pp. 174-195, <https://doi.org/10.1080/21534764.2013.863678>.

growth. The rulers in the Gulf have all adopted strong visions and developmental models that allowed them to easily escape the resource curse. In addition, as discussed by several scholars, namely Gray and Herb, the rentier Gulf states have become more responsive and more supportive of development, bringing change to the classical definitions of rentierism yet maintaining its core political idea; “in none of these states has there been a dramatic transition to a pluralistic or Western-style democracy.”¹⁵⁹

Although this paper suggests that the tribal history of the Gulf states and the paternalistic relationship between the ruling family and the citizens is the main reason behind the durability of authoritarianism in the Gulf, it does not in any way refute the effect of rentierism. In fact, as seen through the case studies, the two variables examined—rentierism and the participation of the ruling family and the elite—are strongly interconnected and serve one another. “The control and distribution of petrodollars enabled political elites to solidify existing patterns of rule through deepening clientelist practices and also by establishing new, dependent clients. On the other hand, rent revenues gave state leaders the opportunity to establish and shape state institutions in ways that solidified their political control. Tribally rooted patron-client practices were superimposed upon and reinforced through an ostensibly modern bureaucratic apparatus.”¹⁶⁰

With the maintenance of the status quo and with family members and the elite acquiring more power day by day—whether economic or political—citizens continue to depend even more

¹⁵⁹ Gray, M. (2011). A Theory of “Late Rentierism” in the Arab States of the Gulf. Doha: Center for International and Regional Studies, Georgetown University:1-50.

¹⁶⁰ Kemrava et al. (2016). Ruling Families and Business Elites in the Gulf Monarchies: Ever Closer? www.chathamhouse.org/sites/default/files/publications/research/2016-11-03-ruling-families-business-gulf-kamrava-nonneman-nosova-valeri.pdf. Accessed 30 January 2024.

on the state and lack agency in all matters, especially, for instance, in gaining autonomy or mobilizing against the state. The diversification projects of the state, along with both rentierism and family and elite co-optation, have created “state-business relations in the Gulf.”¹⁶¹ This relationship is first based on rents, which allows the state to control the private sector without any interference; second, the family lineage and tribal history that enables members of certain families to access higher positions and interfere in the business scheme; and, finally, “family and business relationships, sometimes separately and sometimes in conjunction with one another, serve as nodes of contact and interconnection between the inner reaches of the state and other circles of society from the centre outwards.”¹⁶²

In addition, the two chosen case studies have also very clearly demonstrated how expanding political participation or bringing any change to the political scene isn’t on the roadmap of today’s leaders. In contrast, leaders in both countries are strengthening their repressive powers and assuring that no change or danger is presented to their rule. By strongly co-opting the elite and increasing their power, the rulers guarantee no change in the status quo and continue to be able to repress the rest of the community.

¹⁶¹ Ibid.

¹⁶² Ibid.

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