

AN ABSTRACT OF THE THESIS OF

Abdul Aziz El-Ashban for the degree of Master of Arts

in Interdisciplinary Studies: Anthropology, Economics, and History

presented on August 11, 1977

Title: THE FORMATION OF CAPITALIST MARKET-RELATIONS IN THE ARAB

MIDDLE EAST

Abstract Approved:

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The formation of capitalistic market-relations in the Third World (known also as the underdeveloped world) has been an ongoing process for hundreds of years. The degree of such capitalistic formation has been mainly a function of the quantitative and qualitative nature of the contact between the industrialized metropolitan centers (basically in the Western hemisphere) and the rest of the underdeveloped world. The contact between the Third World and the West that has prepared the ground for the evolution of capitalistic market-relations, has been mainly colonial and/or neocolonial in character. These are complexes of socio-economic relations that have developed into a worldwide movement.

One of the most important characteristics of capitalistic expansion is its tendency to transform the existing socio-economic reality it encounters such that the newly formed one would be a complement to the larger capitalistic whole and an organic part of it.

What is also interesting about such transformations is that they do not occur uniformly in a systematic fashion as a result of the colonial contact. They rather vary from one place to another depending upon the specific conditions of the area and also upon the historical setting of the colonial-neocolonial movement itself.

To study the structural transformations that are taking place as a result of the colonial-neocolonial impact, specifically those transformations related to the formation of market-relations one has to have a perspective that is at the same time economical, historical, and anthropological. It should encompass the nature and origin of colonialism-neocolonialism, their dynamism and their socio-economic and political manifestations. These aspects should be dialectically related to the colonial situation, showing not only the impact but also the indigenous structural tendencies for adaptation to and adoption of capitalistic market-relations, the degree of tolerance and rejection of the new relations and how these new relations are fitted into the old structure.

The Formation of Capitalist Market-Relations
In the Arab Middle-East

by

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A THESIS

submitted to

Oregon State University

in partial fulfillment of
the requirement for the
degree of

Master of Arts

Completed August 11, 1977

Commencement June 1978

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THE FORMATION OF CAPITALIST MARKET RELATIONS IN THE MIDDLE EAST

I. Introduction

One should not confuse totality with completeness. The whole is more than the assembled parts but it is surely also less.

--T. J. G. Locher (Wallerstein 1974:9)

A. On World-System Perspectives

To study the formation of capitalistic market relations in the Middle East would require detailed research far beyond the scope of this paper. What we may achieve is elaboration and clarification of certain analytical frames of reference: the examination and application of a world-system perspective upon the processes of the formation of capitalistic market relations in the Middle East and more specifically the Arabian Peninsula.

The development of a world-system perspective is rooted in two important modern phenomena. First, the world is shrinking to the size of a "global village," due to the expansion and development of capitalism as the most dominant economic order of the world today. This is a phenomenon which requires the development of a similarly broad theoretical perspective in order to understand its global implications. Secondly, there exists in the West certain critical philosophies composed of various strands of thought, but their basic thrust has been critical analyses of existing traditions and modes of thought. The critical philosophy, sometimes called radical philosophy, pioneered by

Karl Marx and his collaborator Friedrich Engels in the nineteenth century was based upon an historico-dialectical materialism later known as Marxism.

Other critics have also developed global perspectives of human and societal evaluation. However, they have either not emphasized the analysis of the means to acquire political power during the processes of social conflicts and class struggles as in Veblen's "institutional theory," or they have rooted their perspectives in bio-ecological interpretations of social evolution (as in Georgescu-Roegen's "entropy and economics" theory).

I intend to emphasize a world-system theory from a Marxist perspective, due to Marxism's influence and importance today. Its impact upon the world has been tremendous, at least to the degree that more than 30 percent of the world's population lives under socialist systems, in one way or another claiming their adherence to Marxist principles. Great revolutions like the Russian or the Chinese, and many others of a less influential order, have been carried out with broad guidelines based upon Marxist theory, insofar as it has been revised and elaborated upon by Lenin, Luxemburg, or Mao and their students.

The first theoretical formulation of this world-system perspective may be traced to Lenin's Imperialism--The Highest Stage of Capitalism, but its contemporary foundations have been explained in Paul Baran's Political Economy of Growth. Explicitly Baran mentioned that underdevelopment and backwardness in the Third World was a factor of the economic domination of the periphery (i.e. the Third World) by the

Center (i.e. advanced capitalist countries). This view was examined by Latin American economists, such as Andre Gunder Frank and Theotonio Dos Santos, who rewrote Latin American economic history from a global perspective. Their contemporaries in Europe and other Third World countries have contributed to this methodological departure, most prominently the Egyptian Samir Amin in his Accumulation on a World Scale and Unequal Development and the Europeans Immanuel Wallerstein and Arghiri Emmanuel, respectively, for their works The Modern World-System and Unequal Exchange (ASB 1977).

The adherents of this world-system perspective argue that to understand the internal class contradictions and political struggles of a particular nation-state it must first be situated in the world capitalist economy. It is therefore essential to analyze the Third World today in the context of the trends and forces emerging in the capitalist centers. Only within this context can some sense be made of the growing gulf between the developed and underdeveloped countries into which the world is divided. Amin, in particular, finds it not surprising that the overthrow of the old decaying system first appears in the periphery (where its weakest links lie) rather than at the center. Revolutions in Southeast Asia and the former Portuguese Africa, in addition to China, Russia, and Cuba, are proofs of such contentions; it is in this peripheral world of capitalism that a new and emerging world-system--socialism--takes form.

It is important to note that this world-system perspective views current market relations as a world-market phenomenon dominated by capitalist modes of production, relations in which all formations,

central and peripheral alike, are internationally organized and hierarchically structured. At the apex of this system we find one dominant capitalist country (e.g. the U.S.A.) followed by other contending capitalist countries, each of which vies for its own interests. The colonized-neocolonized world of Asia and Africa lies at the base, and the socialist world, be it in Eastern Europe, Asia, or any other part of the globe, participates marginally in this world market.

The widening and deepening of worldwide market relations are reflections of the tendency of capitalism, as one mode of production, to exclusively transform the existing socio-economic realities it encounters to the degree that new relations complement the larger capitalistic whole and become an organic part of it. What is interesting about this transformation is that it does not occur uniformly or systematically as a by-product of fixed colonial contacts, but varies from one place to another, depending upon the specific conditions of the area and also upon the historical setting of the colonial-neocolonial movement itself. The rapid and profound economic and social transformation of the Arabian Peninsula, as we shall see, is a concrete illustration of the impact of capitalist expansion on other modes of production.

The protagonists of the socialist world-system do not claim or even pretend to seek after the general laws of human societal development. Thus Samir Amin states:

Historical Materialism turns into metaphysics if it attempts to derive general laws of history over and above those governed by the modes of production. There is no general theory of formations, but only the theory of particular formations or groups of interconnected formations

There are no general laws of social formations but only a set of scientific concepts that make it possible to formulate laws for particular formations. These concepts are those of mode of production, interconnection between different modes of production, instance and articulation of instances. (Amin 1976:363)

What is meant by the mode of production is both the forces of production and productive relations of members of societies. "Instance and articulation of instances" simply means the different dimensions of human activity, for example the economic instance or the politico-ideological instance and their interrelatedness.

It should be emphasized that this socialist world-system theory rejects the thesis-antithesis of bourgeois nations (metropolis) and proletarian nations (the Third World) which in some interpretations constitute the principal center-periphery. Its protagonists show that even though the bourgeoisie in the center countries is dominant, the system as a whole creates a local dependent bourgeoisie in the periphery which acts as a junior partner and has an interest, for a minor piece of the cake, in seeing the system reproduce itself. This we shall see in the section concerned with class structure analysis.

This is a simplified account of this socialist world-system perspective. In order to better understand this school of thought one has to understand their criticism of the present situation of modern social science, since the tenets of this school have evolved and developed as a result of continuous, consistent, and persistent critical evaluation of orthodox social theory and practice.

B. On Contemporary Social Science

This challenge to the foundation of the system of values upon which the world capitalist system is based brings into question in turn the conventional social science of the "establishment" and the universities. Conventional sociology, whether functionalist or structuralist, having developed as a reply to historical materialism, has the same ideological foundation and seeks to justify the established order by demonstrating "universal harmonies." Political Science wavers between Journalism and formalism. As for social psychology, this continues to evade its real problem--how to build the bridge linking the individual to the social . . . The weakness of the so-called "fundamental disciplines" conceived in mutual isolation, results in the weakness of their multidisciplinary combination, as geography and history. Geographers are content to juxtapose facts, while the basic question of their discipline--how natural conditions act upon social formation--remains almost unanswered. History continues to be anecdotal in character: if it cannot be everything, it is nothing. And if, amid this general insolvency, conventional economics seems the least poorly equipped of the social disciplines, it owes this advantage to two main reasons: in the first place, because the dominance of the economic instance in the capitalist mode of production makes "economism" the dominant ideology, and in the second place because the management of the social system of capitalism is principally and for this very reason, economic management. (Amin 1976:9)

In addition to what Samir Amin mentions above, the present situation of modern social science is characterized by compartmentalization of perspectives, fragmentation of method, and quantification of research. These characteristics may be linked to the manner in which the role of the State as a whole is perceived. This perception, being mainly liberal in its orientation, has related the State in functional utilitarian and geographical manners to the whole of the social system. As a result such disciplines as history, sociology, economics, anthropology, and political science have in a way become mostly concerned with the study of organizations and groups in the most narrow sense with a great tendency towards incorporating social psychology in

their various methods of investigation. Such divisions have contributed to the current general state of confusion, distortion, and trivialization of the social sciences and make little sense if the object of study is the social system as a whole. Consequently, if one is to study human social systems with a "species consciousness" as a framework, the classical lines of division within social science are meaningless.

The contemporary dilemma of western social science is best expressed in the introduction to Monopoly Capital:

The situation in the social sciences in the United States today is paradoxical. The number of research workers and teachers is rapidly rising. Their training and command of their disciplines, including the ability to use precise mathematical reasoning and sophisticated statistical methods are far above the levels attained by their predecessors of even one generation ago. Universities, foundations, and governments organize research projects and dispense grants on an unprecedented scale. Books, reports, and articles are turned out in a never-ending stream. And yet all this high powered intellectual activity has yielded few important new or fresh insights into the way our society works and where it is headed. (Baran and Sweezy 1966:1)

Conceptualization is straitjacketed by this demand for the quantifiability of data to the point of making conceptual frameworks determined by how much data is available. Scientifically this is incorrect. The dialectic conceptualization-quantification should be, at least most of the time, determined by the former regarding the choice of research tools and focus of analysis. How much data is presented, as determined by the conceptual framework, would merely reflect the degree of precision that is possible for given problems and given methods at given points in time. This is not to imply that quantification is always undesirable. On the contrary, more data speaking to questions raised by the conceptual apparatuses are always desirable and indeed necessary to

verify methodology and focus.

Both aspects, compartmentalization of perspectives and quantification of research, are currently hot issues of debate and controversy among contending schools of thought. However, we see that the school of global perspectives is developing a conceptual alternative that is both holistic in perspective and qualitative-quantitative in approach. The question of how are data used in such a framework and what method is utilized to demonstrate the conclusions and hypotheses are the subject of the next section.

C. On Data and Method

Abstraction as an analytical tool can be of tremendous value since it provides a way to sift through the empirical morass which sometimes may be overwhelming. But while the legitimate purpose of abstraction in social science is never to get away from the real world, isolating certain aspects of the real world for intensive investigation, there is always the danger of eliminating through the process of abstraction those essential elements of the problem being analyzed.

Being myself a person of the "Third World," conducting social studies has quite a different significance as far as the processes of abstracting and focusing of data are concerned. Generally speaking, in agonizing conflicts like those which are today raging in many different parts of the "Third World," the perceptions of those directly affected becomes more acutely conscious of their conditions of existence. In order for them to expose the hypocrisies of those who place them thus, they must develop a clear perception of their situation, which means

that nationalist movements see "colonial-neocolonial" realities as the situation in which they live. Furthermore, they may see that the political system which controls their lives is based upon a discriminating system in which rank and hence reward is accorded on the basis of race.

It is essential to realize that not only are the colonizers and the colonized at odds on political and social issues, but also that each group has completely different sets of conceptual frameworks with which to analyze and explain relevant issues and situations. Classical Anthropology, itself being the child of Western imperialism, has rooted its conception of the "exotic peoples" of the world in fragmentary perceptions of their reality and this has served as an ideological tool for justifying and rationalizing the "colonial situation." For instance, it seems to me that it would be a false perspective to take a social unit like a "tribe" and seek to understand how it operates without taking into consideration the important fact that given the colonial-neocolonial situation the existing institutions of a "tribe" are far from being "sovereign." They are rather closely circumscribed by the laws and customs of a larger structure, of which the "tribe" is an indissociable part--the colony or the center.

The examination of the evolution of a certain social formation, in this case the formation of capitalist market relations in the Middle East, requires an historical analysis that is both holistic and integrative. It should be holistic in the sense that it situates the seemingly isolated facts in a viable frame of reference and integrative in the sense that the dynamism of the interrelatedness and

interconnectedness of all the parts are depicted as the social processes unfold. This is to be desired because the nature of the formative process itself is both holistic and integrative. Capitalism is global. Its mode of production is dominant worldwide.

Basically the data utilized for this work, whether economic, historical, or anthropological, has been drawn from both primary and secondary sources. Lately there have been a tremendous number of books, articles, and essays written about the Middle East and especially the Arab World. This is not so strange. After all, the explosion of wealth (petro-dollars) and the sudden emergence of "the energy crisis" should make the front pages in a car-dollar oriented society. What matters is the relevance of the facts reported to the issues being debated and how much sense one can make of all that wired and wired-less news.

Concerning the methodological problem of abstraction (i.e. simplifying), Sweezy suggests some criteria by which to judge the validity of the method. These are:

- 1) Are the assumptions made about the problem under investigation framed with a proper regard for the problem?
- 2) Have the non-essential elements of the problem been eliminated by these assumptions?
- 3) Do these assumptions stop short of eliminating the essential elements of the problem under investigation?

If all three of these questions have been answered in the affirmative we may say that the principles of appropriate abstraction have been observed (Sweezy 1942:20). But the questions of method and selection of data cannot be considered in isolation from the totality of the social

reality in which they exist. Herein we find the entrance of other troublesome questions.

D. On Objectivity, "Truth," and Commitment¹

"Scientific validity" and "objective analysis" concerning the "truth" of the matter are regularly used statements which confirm one's point of view regarding a certain situation, issue, or perspective. Although this is not the place for an elaborate philosophical discussion concerning concepts such as "truth" or "science," a clarification of certain notions concerning these values is in order, at the least to assure that my position (or "bias") is correctly perceived and understood.

Social reality is in a continuous flux. It exists in the present and disappears as it moves into the past. The past is told as it is perceived today, since the recounting of the past is a social act of the definite present done by definite men of the present and in so doing definitely affecting the social system of the present. "Truth," being a part of society, changes as society changes. What is, is contemporaneous, including that which is past. And our present existence is conditioned by the various pressures within which we operate. Our personalities, and social roles, our training and class origins, and our aspirations and world-outlooks all leave their imprints on our consciousness.

¹I am indebted for a number of thoughts presented here to Wallerstein's stimulating introductory chapter in his previously mentioned work.

If within the social system in which we exist political and economical powers are disproportionately allocated creating "lopsidedness" in the whole of the social structure, so will the scientific activity be lopsided whether in its research direction or the application of its results, the conceptual frameworks, or the ways and means in which scientific knowledge is communicated and resumed.

Objectivity, always associated with scientific activity, is also part and a function of the entire social system.

The role of a scholar and scientist in a given social system is both unique and exciting. He is not an apologist or a propagandist for any particular group or viewpoint. Although this by no means is intended to denigrate or trivialize the role of an advocate which is both important and significant. Rather, it is meant to point out that it is the unique role of a scholar and scientist to discern "objectively" within the context of his or her commitments, the existing reality of the specific phenomena he or she is studying and to derive general laws or principles from which ultimately particular applications could be made.

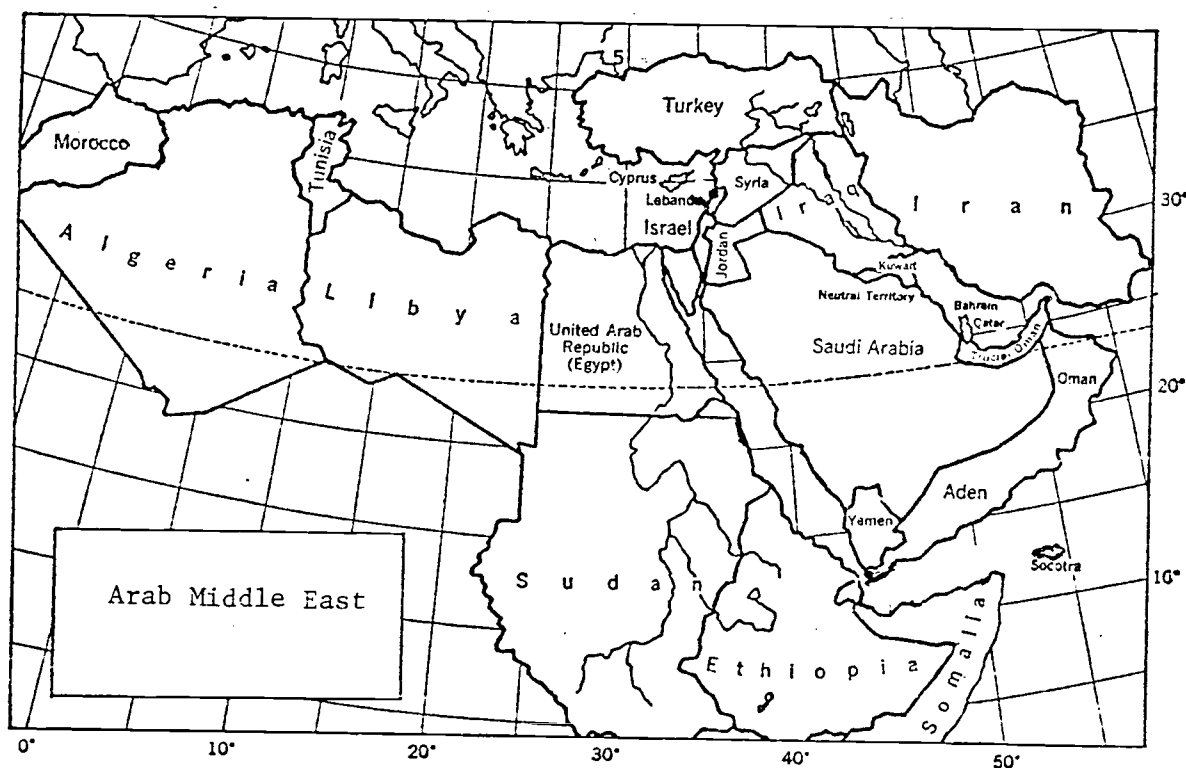
But the pressures of a lopsided social system manifest themselves at this point in the form of relatively tight social controls on scientific activities especially the social sciences. The forms of these controls depend on the nature of social order as a whole. They vary from discouragement to the employment of physical force against the pursuit of objective scientific enquiries. This provides one further explanation of the intellectual crises which engender the

reluctance of scholars to pursue activities within an honest definition of social science.

But if this were the case then it would be imperative to do so. What is at stake is humanity's existence in the present and the future. Given the enormosity and extensiveness of the difficulties facing our species today, it is rather essential that Homo sapiens perceive the wholeness and oneness of the world they live in and embark on intelligent participation in the evolution of their social systems. Such a task might prove to be quite formidable, but the more we acknowledge its difficulty the more urgent it is that we begin sooner rather than later. It is of course not to the benefits of all social groups and classes that this be done. Here enters our commitment and vision of what is a good and equitable society. The building of a more egalitarian and libertarian society is predicated upon our comprehension of the conditions under which these states of existence could be realized.

To begin in that direction requires a holistic examination of the nature and evolution of the contemporary modern-world system and the unfolding range of possible developments in the present and the future. That kind of knowledge would constitute genuine scholarly and scientific power. And within the framework of my commitments it would be a power that could be useful to those groups which represent the interests of the larger and more oppressed parts of the world's population.

II. THE ARAB MIDDLE EAST--AN HISTORICAL PERSPECTIVE



Map 1. The Arab Middle East.

The purpose of this chapter is neither to give an exhaustive account of the general history of the Arab Middle East nor a detailed descriptive account of each of the different states which compose that area. What I am interested in showing here are the essential features of the historical processes which have lead to the integration of the Arab Middle East into the international capitalist system, emphasizing in subsequent chapters the general and particular aspects of those processes as they have taken shape in the specific area of the Arabian Peninsula.

The role of Arab nationalism and pan-Arabism in the development of the history of the area will be dealt with in a brief manner due to the complexity of the issues, the focus, and the framework of the thesis. But the role of Arab nationalism as a frame for the ensuing class and national struggles will be clarified and discussed.

A. The Arab World

Geographically, the Arab World extends from the Arabian-Persian Gulf in Asia to the Atlantic shores of Morocco and Mauritania, from the south and east Mediterranean Coasts to the Upper Nile in the heart of Africa and the middle of the Sahara. Around a hundred million people live in those areas, speaking what is essentially the same language, reading the same books, listening to the same broadcasts, and seeing the same films. In addition the Arab people have been subjected to the same Western colonialism-neocolonialism during our own time. We shall come later to the roots of this Arab unity (i.e. understanding the origins of Arab nationalism) as perceived within the context of the history of the area. But what is interesting is that within that unity there exists also a great deal of diversity. The process of Arabization which is the outcome of the thrust outward from the Arabian Peninsula of the Arabian tribes during the seventh century A.D. has mixed together various types of peoples with differing origins and racial backgrounds.² Here it is important to distinguish between the Arab World and the Islamic World.

²For a more detailed analysis of initial stages of that process see Maxime Rodinson, Mohamed (New York 1971), especially Chapter 6.

The spreading of Islam as a world religion has concurrently accompanied the outward thrust of the Arabian tribes mentioned above. One might consider the process of Islamization as a ripple with a greater geographical radius than that of Arabization. The Islamic World extends further into monsoon Asia (Indonesia, Bengal, Malaysia, Pakistan), going beyond the mountains of Turkey, encompassing the valleys of Persia, Afghanistan, and parts of China and Russia, while in comparatively recent times Islam has been extended into certain parts of Black Africa. There are many differences between the two worlds. The most important of these differences are language, history, culture, and economic life. The main binding factor between the two worlds is the faith of Islam, the tradition of which has tended to define human community on the basis of a community of believers rather than on the basis of cultural, racial, or ethnic background. This is why one hears nowadays of Islamic summit meetings vis-à-vis Arab summit meetings.

We can divide the Arab World into three parts which differ from each other socially, economically, and politically:

- 1) The Arab East (called in Arabic Al-Mashraq). This region contains the Arabian Peninsula, Old Syria (which is divided today into the states of Syria, Jordan, Israel, and Lebanon) and Iraq.
- 2) The Arab West (called in Arabic Al-Maghreb). This zone extends from Libya, passing through Tunisia and Algeria, to the Atlantic shores of Morocco and Mauritania.

- 3) The countries of the Nile (Egypt and the Sudan; El-Kodsy 1970: 4).³

According to El-Kodsy, the Arab World has been mistakenly viewed as "rural" and "feudal" by many orthodox and unorthodox scholars and historians.

. . . Egypt alone, which divides the Arab world in two has always been and still is a peasant civilization (I do not say a feudal one) whereas the social formations of the Mashraq and of the Maghreb alike have not been, essentially, formations based on the cultivators of the soil. In this semi-arid zone (the Arab world), agricultural activities continue to be very precarious, a fact which is too often forgotten. Except in Egypt, [where even] the surplus that can be taken from the cultivators remains, broadly speaking, very meager. The techniques of agricultural production are necessarily backward, the productivity of agricultural labour very slight, the standard of living of the agricultural communities very close to subsistence level, and so the forms of social organization of this community are inevitably characterized by primitive collectivism. There is no adequate basis for a surplus to be extracted such as would make possible a "feudal" class structure or even a brilliant civilization. (El-Kodsy 1970:5)

If this is the case then how can one explain the evolution and development of the brilliant Arabian civilization if there were no viable socio-economic base? How can one explain the evolution and development of huge cities like Aleppo, Damascus, Baghdad, Basra, Antioch, and others, that have been densely populated in Antiquity, in the Middle Ages, and in recent times before the capitalist period, and being much more important than the cities of the West then? We can answer those puzzling questions if we look at the history of the Arab

³The following analysis is based mainly on the works of Ahmed El-Kodsy, Samir Amin, and Mahmoud Hussein, dealing with the history and economics of the Arab World. See the bibliography.

World as part of the world history of mankind.

The Arab World has been "a great zone of passage" between the different centers of world civilization. This desert-like area, necessarily meager in agricultural production, divides the Old World like a belt, separating and connecting at the same time Asia, Europe, and Black Africa.

The Arab Zone has therefore always fulfilled a commercial function, bringing into contact through its role as the only middleman, agricultural communities that had no direct awareness of each other. The social formations on the basis of which [the Arabs'] own civilizations were erected were always commercial in character. By this I mean that the essential surplus on which its great towns lived did not come from exploitation of the area's own rural inhabitants (except, of course, to a subordinate extent), but from the profits of the long-distance trading activity which its monopoly role as intermediary ensured to it--that is, an income derived, in the last analysis, from the surplus extracted by the ruling classes of the other civilizations (the ones linked together by the Arab world) from their own peasantries. (El-Kodsy 1970:5)

We see therefore that the socio-economic formations of the Arab World are deeply rooted in long-distance trade while the agricultural activity has been to a certain extent marginal except in Egypt where its influence on the socio-economic formations is relatively more prominent.

It is interesting to note here that Ibn Khaldun, the famous Arab "first social scientist," has made a similar analysis of the social formations of the "medieval" Maghreb in 1379 in his famous work The Muqaddimah, considered by many a landmark in the history of social theory.

Going back to the question of the unity and diversity of the Arab World, one may add that long-distance trade has acted as a catalyst to the unity-diversity dialectic. This happens because such activities

will cause people to intermingle ceaselessly so that the cross-cultural processes are made more dynamic and widespread, while a traveller's lingua franca becomes the predominant speech. Also, the competition amongst different centers of commercial activities (competing cities) has contributed to that dialectic. For example, the shifting of the center of political authority from Damascus dominated by the Omayyad dynasty to Baghdad dominated by the Abbasid dynasty is an illustration of how the competitive tendencies of the dominant merchant class (both dynasties come from powerful mercantilist origins) have contributed to the diversification of the Arab World. Those cities and others have become the center of social, economical, and cultural activities of the people of those areas. Being merchant cities like those of Italy in the medieval West, or like those of the Hanseatic League, they have attracted crowds of craftsmen and clerks clustering around the courts of royal and influential families from the dominant commercial class.

The merchant classes which have dominated and ruled the big cities are originally from nomadic backgrounds. Those classes have developed an alliance with long-distance travelling nomads who have been organized to carry on large-scale trade between the different parts of world civilizations.⁴ The alliance between the cities and the nomads is a characteristic feature of the civilization of the Maghreb as of that of the Mashraq. The golden ages of Arab civilization, in the Arab East as

⁴For an analysis of the relationship between the evolution of Islam and the development of mercantile capitalism in the Arab East see Maxime Rodinson, Islam and Capitalism (New York 1973).

well as in the Maghreb, have not been marked by great achievements in the agricultural field but by the prosperity of trade and the cities, and often in connection with the prosperity of trade, by the rule of great nomadic tribes, to the detriment of the peasantry who have never counted for much in either of these regions (El-Kodsy 1970).

Egypt's history has been the exception. There, the land remained a land of the peasant before and after their Arabization. The fantastic amount of wealth that accumulated in those merchant cities of the Arab World is described in a vivid and hyperbolic fashion in the tales of the Arabian Nights. Decline also came to those cities and states with the shifting of the trade routes. For instance in the Maghreb, as the gold routes shifted from west to east during the Middle Ages, there was also a shift in the center of civilization, both north and south of the Sahara, going from west to east. The states of Morocco in the north and Ghana and Mali in the south gave way to, first, Tunisia, and later still toward Egypt in the north and to Songhay and the Hausa states in the south (Amin 1976:312).

The role of the peasant communities in such social formations is an interesting one due to their minor contribution to the process of surplus accumulation as a whole. Throughout the history of the Arab World the peasant communities have been the hotbeds of dissidence and opposition to the encroachment of the big cities. Such resistance has manifested itself in a religious form (e.g. the heresies of the Shiites and Alawiites) or in linguistic form (e.g. the resistance of the Berbers, who are the peasants of North Africa, to the process of Arabization).

To give a detailed account of the process of Arabization of North Africa, the Nile countries and Mesopotamia is beyond the scope of this work, although it goes without saying that such knowledge is of great importance for a scientific understanding of the dynamics of the Arab social formations.

In addition to that, a comprehension of the national class struggles of the people of the area is predicated upon an understanding of the dialectic of unity-diversity of the Arab World. On the one hand, this dialectic is mainly characterized by the tendency of the languages of the region to converge through time towards the Arabic language (the spoken tongue of the dominant commercial class), and the spreading of Islam as the most dominant religion in the area (Islam being the ideology of the dominant Arab merchants); on the other hand, the tendency to diversity and dismember manifested itself in the peasants' resistance, isolation, and sectarianism, and the development of regional economic rivalries.

The Arab World can then be briefly described as basically a collection of commercial regions with Egypt and the Nile area as the exception "peasant" area.⁵ The ruling class is from the commercial

⁵The Sudan, southward from Egypt and currently a part of both the Black African and the Arab World, has been partially assimilated into the latter. The settlement of nomadic Arab tribes in the northern part of Sudan and their intermarriage with local inhabitants has facilitated the process of Arabization of the area and aided its cultural and economic integration. It is interesting to note that the original inhabitants of northern Sudan have also been nomadic people, while the south has remained culturally and socially black. Because of the unique characteristics of Sudan and its geographical remoteness from the rest of the Arab World, in addition to its ethnic and racial qualities, I

urban sector of the population, augmented by court officials and religious leaders, with clusters of craftsmen and small clerks. The ruling class, being of Arab nomadic origin, has dominated the scene with its faith (Islam), language (Arabic), and values (tribal value system). This class is highly mobile and its prosperity is organically linked to that of long-distance trade.

Given those essential features of the Arab World as they have been formed throughout history, we shall examine next the interaction of the Arab social formations with the modern Western World.

B. The Struggle Against Imperialism

The history of the Arab national struggle against foreign domination, whether in its Zionist or colonialist-neocolonialist forms, has been at the same time the history of a resistance of the Arab masses against the integration of their countries into the international capitalist system, and the history of the capitulations of the different Arab ruling classes in the face of foreign aggression and in pursuit of their class interests.

With the current prominence of the Palestinian question in world affairs and the tendency to overlook its organic link to the general Arab Nationalist Movement, it is rather important to emphasize that the

I have not tried to analyze in detail the history of Sudan. For a more specific description and analysis of the Arabization of Sudan see John S. Trimingham, Islam in the Sudan (London 1949). Also for a history of the Egyptian and British involvement in the Sudan see Richard Leslie Hill, Egypt in the Sudan, 1820-1881 (London 1959), and P. M. Holt, The Mahdist State in the Sudan, 1881-1898 (London 1958).

Palestinian question in Arab history has been the acid test for the different social classes that have taken it upon themselves to lead the anti-colonialist/neocolonialist movement. It has been the failure to pass this test that has brought discredit and disgrace so far to the comprador (commercial class), latifundia-owning bourgeoisie and now to the currently dominant petty-bourgeoisie. We shall come back later to this aspect of the Arab national struggle after we take a brief look at the history of that struggle.

With the decline of trade in the Arab World in the sixteenth century--the age of European mercantilism and great navigational discoveries--the Arab merchant had already been defeated. But the final blow was delivered when the Ottoman state, due to its weakness, conferred on the European merchants trading privileges in a treaty historically known as the "Capitulations."⁶ The ascendance of the European merchant class had its counterpart in the decline of the mercantile world of the Arabs. What followed that turning point of history was a slumber of three hundred years during which the East was unaware of what was taking place in the West. The Arab cities shrunk while the country districts in all of that heterogeneity became dominant. When European capitalism matured and started to look outside beyond its national boundaries in search of markets, resources, and labour, the Arab World became conscious and aware of the West.

⁶The Ottoman Empire was founded in Turkey, ca. 1300 A.D. By the end of the sixteenth century its rule extended from Hungary to Egypt, including most of the Arab East and parts of Persia. From that time a period of disintegration ensued, until in 1920 the empire broke apart.

The rough awakening of the Arab World has come in the first part of the nineteenth century following Napoleon Bonaparte's Egyptian campaign; the resistance of the Arab masses culminated in defeat. This was so because of the technological and organizational superiority of the West, the weakness of Arab leadership, and the effects of the Ottoman exploitation. The dates for this defeat are as follows: the period 1830-1911 in the Maghreb, 1882 in Egypt and 1919 in the Arab East.

The Arab reaction to the European danger has taken different forms: first the Arabs have tried to imitate Europe so that they could better resist it, but this has failed, setting the stage for the European colonialization of the Arab World and development of its dependent peripheral character. The Arab masses have consistently resisted European imperialist aggression in its three different forms: 1) administrative colonialism, 2) colonial settlerism, and 3) neo-colonialism basically in the form of economic imperialism.

I shall give three examples of the resistance of the Arab people to European imperialism. The first one deals with the type of resistance that has developed in Egypt and later on in Syria due to the first encounter with European colonialists; the second example deals with one form of cultural resistance to European cultural imperialism in Algeria; the third example shall give an account of early historical resistance by the Palestinian people to the process of Zionist colonialization of Palestine--the civil war of 1936-1939.

The defeat of Mehmet Ali in 1840 by the Anglo-Turkish alliance brought to an end the process of modernization in Egypt, beginning a long process between 1848 and 1882 of protracted capitulation by his

successors to European demands and domination. The reaction of the Egyptian masses, led at that time by a third estate of clerks, craftsmen, village notables, and some religious leaders, has been to invoke Arabism. By trying to adapt the Arabic language to the new cultural and technical need, this "renaissance" movement has tried to develop a cultural barrier against the process of Europeanization. However this attempt has met with defeat, as Hassan Riad remarks:

In face of the imperialist danger . . . the aristocrats had thrown away over all the country's traditions, through selfish interest and also owing to their Turkish origin, without, however, really assimilating European culture. The Third Estate clung desperately to tradition in order to safeguard their personality. At one and the same time the power of the foreigners threatened them, fascinated them, and led them to examine their countries' traditions with a critical eye. In the brief interval that history allowed them between the moment when the danger from without was felt (1840) and the moment when it materialized in the occupation of Egypt (1882), the thinkers of the Third Estate failed to overcome this contradiction between their will to defend their personality and their will to catch up on their backwardness Eventually they found themselves in a dead end, the empty assertion of their personality, which was gradually to lead to that neurotic loyalty to tradition which paralyzes movement. (Quoted in El-Kodsy 1970:21)

In Algeria the popular war against French colonialism (1954-1961) assumed many forms, the most interesting of which is how the traditional veil, used by the women to conceal them from being viewed by non-related males, has been used as a symbol of cultural resistance.

The Algerian women, as active elements in the underground resistance, were involved from the beginning in the Algerian revolution against French colonialism. Before the revolution started, and specifically during the 1930's, the officials of the French administration in Algeria committed themselves to destroying the

Algerian originality and culture. Wearing the veil at that time was a symbol of the status of the Algerian woman. Here is an example of the colonial political doctrine:

If we want to destroy the structure of the Algerian society and its capacity for resistance, we must first of all conquer the women; we must go and find them behind the veil where they hide themselves and in their houses where the men keep them out of sight. (Fanon 1965:32)

For the colonialist the attempt to convert the Algerian woman and to make her accept foreign values has, at the same time, been an achievement over the Algerian man and a practical way to destroy the Algerian culture.

This policy of unveiling the women has had the effect of strengthening the traditional patterns of behaviour: that is, to resist change and cling to wearing the veil. The escalation of the revolutionary struggle after 1955 necessitated a more open participation by Algerian women in resistance activities. The practical aspects of the struggle required the dropping of the veil--an act which occurred spontaneously and there was little resistance to it.

Feeling the threat of Zionist colonization very early, the Palestinian people rose en masse, fighting both British soldiers and Zionist terrorists. The civil war of 1936-1939 could have culminated in victory had it not been for the compromising nature of the Palestinian leadership (basically nationalist-religious). The significance of that war lies in its being the first popular uprising in the area, tremendously influencing the shape of the Arab nationalist movement for years to come. However, this war ended with the defeat of the

anti-imperialist forces and the consolidation of the Zionist colonialism in Palestine.

C. Integration of the Arab World into the International Capitalist System

In a protracted sense, the Arab World has been integrated into the world market. Colonialist exploitation has not only changed the conditions of the Arab masses, but in addition it has altered the class relations and the character of the ruling classes, changes that have, furthermore, facilitated the process of integration of the Arab World into the international capitalist system.

Therefore, an examination of the formation of market relations in the Arab World is at the same time an examination of class structures and shifting alliances, economic dependency and specialization, the proletarianization of the masses (i.e. separating them from their means of production), land alienation, and the development of agrarian capitalism. We shall examine all these aspects as we look further at the colonial heritage of the Arab World and the continuous struggle against it.

Following Bonaparte's adventure in Egypt, its ruler, Mohemat Ali Pasha, attempted to modernize the country along European lines, an effort which eventually culminated in failure.

The Egyptian ruling class--of foreign origin (Turkish, Albanian, Circassian) . . . has been the Pasha's military bureaucracy, which has levied tribute from the peasantries, made up of families of small holders. Their surplus has been used by the Egyptian state to finance modernization in the form of irrigation works and the establishment of a

national army and of industry. The Anglo-Turkish alliance in 1840 has dealt a blow to this attempt of modernization. Europe hastening to the rescue of the Ottoman Sultan, whose armies have been beaten by the Egyptian Pasha's forces, has compelled Mehmet Ali to submit to the capitulations, thus putting an end to the effort to develop industry. The Pasha's successors from 1848 to 1882 have given up this independent policy in the hope (in the case of Khedive Ismael) of Europeanizing and modernizing Egypt with the aid of European capital, integrating the country into the world market (by developing the growing of cotton) and appealing to the financial houses of Europe to find the capital for this outward-oriented policy. (Amin 1976:302)

During that period the Egyptian ruling class had been fundamentally and structurally changed. From bureaucratic "mandarinate," these rulers were transformed into a class of latifundia owners, using the State as a tool to take possession of the land. By transforming Egypt into a huge cotton plantation to feed the spinning machines of Lancashire, the Egyptian ruling class adopted the characteristics of agrarian capitalism ready to submit to the demands of British policy in order to safeguard and maintain its privileges.

The integration of the Arab East into the international capitalist system took place much later than that of Egypt or the Arab West. This is because the Arab East had been considered a province of the Ottoman Empire which, due to contemporary geopolitical considerations, was not dismembered or directly colonized by the West until 1919. Additionally, the limited nature of the agricultural resources of that semi-arid region hampered the development of commercial agriculture, but European finance-capital penetration had been taking place, indirectly exploiting the region. This happened through the repayment of the Ottoman state debt, which in 1874 absorbed four-fifths of the Ottoman government

revenues. In order to meet payments on this debt Istanbul intensified tribute exactions from its subject territories; over eighty percent of the revenue collected from the Arab East went to the central government, while only twenty percent was spent on local administration.

The integration of the region as a whole into the world capitalist system has occurred mainly after the First World War. Due to the historic character of the Mashraq as the passage zone between Asia and Europe, the population of the area was basically urban: "In 1913 the towns [of Syria] hold a third of the country's inhabitants, the nomads accounted for a quarter and the agricultural districts had hardly 40 percent" (Amin 1976:309). On the eve of the First World War the population of the area was less than 1.5 million, compared to 5 million in the prosperous centuries of Antiquity. The process of destroying local maritime and craft activities had gradually taken place since the Crusades, but the influx of British cotton goods during the first half of the nineteenth century resulted in the near total destruction of remaining local crafts, while even further back in history the discovery of the Atlantic sea routes greatly diminished the commercial role of the area's ports.

The urban merchant class, having been deprived of its role, began to look toward the countryside to obtain from the peasants the profits that it can no longer derive from trade. The formation of the local latifundia(i.e. agricultural capitalists) dates to the nineteenth century, a process considerably sped up between the two world wars. Because of French capital domination the urban bourgeoisie had no choice

but to turn to agricultural production, but this process reached its peak only in the 1950's following "independence." With the agricultural development of the semi-arid region of the Jezirah, located between the Tigris and Euphrates Rivers and using modern capitalistic methods like a small wage-earning labor force, leased equipment and lands, the town bourgeoisie has contributed to the considerable growth of agricultural exports such as wheat, barley, and cotton.

A similar set of socio-economic conditions were developed in Iraq under British guidance. Since 1920 the colonialists, utilizing the country's natural potentials, instituted the revival of an agricultural life which had long since declined. Specifically the introduction of modern methods of irrigation during the Mandate played an important part in developing a new type of latifundia-owning agrarian bourgeoisie.

The British distributed 90 percent of the land to a thousand sheiks, the chieftains of seminomadic tribes. The oil fields developed by the Iraq Petroleum Company (A British-American Consortium) were to do the rest. (Amin 1976:310).

The colonization of the Arab West involved a different path, due to the geographical remoteness of the region from the more volatile Mashraq and because of the Berber, non-Arab character of most of the peasantry. Finally, French colonial rule possessed its own specific forms of oppression, creating a unique set of local complications. French capitalism relative to other Western industrial states, was a late development, a characteristic which gave rise to colonial-settlerism of "poor whites" in the occupied lands of North Africa. More advanced forms of colonization have occurred only recently, such as French capital investment in mining and even in some industrial enterprises,

especially in Morocco.

Samir Amin, in The Maghreb in the Modern World (1970:104) analyzed the effect of French colonialism upon the social structure of the Arab West:

The Algerian landed aristocracy had long disappeared--indeed Abdul Kader (1830-1848) [The period of popular resistance against the French] himself did more to destroy it than did colonization--while in Morocco this class was actually reinforced by colonization. The situation in Tunisia lay somewhere between these two extremes. Even though these structures are today gradually losing their importance in the face of rapidly rising tide of the petty-bourgeoisie . . . , they did for a long time condition the nature of the national movement.

European colonialism ruled the Arab World from 1920 until 1948. During that time the economies of different parts of the Arab World were gradually integrated into an international capitalist economic system. The process of colonization transformed the old ruling classes of the region into a national bourgeoisie, essentially of the agrarian and latifundia-owning type. This class acted as a transmission belt for the colonial exploitation of the Arab World, strengthening and enriching itself while at the same time accepting the narrow, provincial existence dictated by their European masters.

After the Second World War the Arab World witnessed two basic changes: first, the establishment of the Zionist colonial-settler state of Israel in Palestine, against the will and contrary to the aspirations of the indigenous Arab inhabitants and the Arab masses in general; second, the replacement of colonialism in the area (i.e. France, Great Britain, and Italy) by neocolonialism, exercised through the interest of the United States, and by the influence of the Soviet Union, both of

whom have reached a modus vivendi by dividing the region into their respective spheres of influence.

The creation of Israel shook the status quo of the colonial system. The first reaction came from Egypt, where in 1952 Nasser and other officers of the army led a coup against the old regime. This served to revive Arab unity in order to face the expansionist policies of Israel. Other coups with similar aspirations and world outlook took place in other parts of the Arab World (i.e. Syria, Iraq, Yemen, and Libya), but their leadership has principally been of petty-bourgeoise origin. The inability of that leadership to face Zionist-imperialist aggression in 1956 (the Suez Canal campaign which combined French, British, and Israeli forces against Egypt), Zionist expansionism in 1967, and the Zionist aggression in the October War of 1973 has undermined the recognized spheres of influence of the superpowers in the area.

This modus vivendi may be explained as follows: While the Americans are allowed to control the oil-rich countries of the Arabian Peninsula, the Russians are given free rein in two or three other countries. The Palestinian problem, the main cause of instability in the area, may be treated as follows: Israel, with the backing of the Western powers, should refrain from aggression while the Arab states prevent Palestinians from challenging Zionist colonization of their country, even if this defies the wishes of the Arab masses. This equilibrium has been disturbed, therefore, by both the Israeli expansionist policies and the Palestinian Liberation Movement, each of which have, depending on the historical conjuncture of events, contributed to

the area's instability and thrown the whole *modus vivendi* into question.

The failure of the petty bourgeoisie to achieve an effective degree of Arab unity and to liberate Palestine is basically rooted in its ideology and forms of government.

Analyzing the stages in the formation of the "new class" in Egypt--Mahmoud Hussein shows that state capitalism, just because it is capitalism, must remain within the system of world capitalism and therefore cannot really break with imperialism. Its attachment to the world capitalist system therefore inevitably perpetuates underdevelopment dooming all hope of real independence and progress. The replacement of the United States by the USSR as trading partner and supplier of capital (called "aid") alters nothing in this fundamentally dependent relationship. For development cannot be accomplished within this framework, which has the purpose of "buying" the local intermediary who perpetuates dependence upon the centers of the world system. The petty bourgeoisie, the channel of the local dependent state capitalism, becomes the chief transmission belt, in our period, of imperialist domination, thus merely taking over the role played by the former Latifundia-owning and comprador bourgeoisie [export-import commercial sector] which served as the channel of the dependent private capitalism of the previous period. This role of transmission belt is clearly seen when we analyze the ideology of this petty bourgeoisie. The ideological emptiness of this class, its tendency to acculturation, reflects this role which it plays, the role of bearer of bourgeois ideology on a world scale. (El-Kodsy 1970:51)

In a way this analysis explains the recent events in the Arab Middle East. Sadat's "open door" policy for Western investment, his readiness to permanently accept the existence of the colonial-settler State of Israel and his willingness to serve imperialist interests in the area, such as sending Egyptian military aid to Mobutu of Zaire to help quell a local uprising, all testify to the strong reactionary tendency of petty bourgeois erraticism masked by their demagoguery and self-styled "Arab Socialism." During the recent Lebanese civil war the intervention of the

Syrian army on the side of the right-wing Phalangists against the Lebanese National Movement, and the Palestinian Resistance provides another example of the petty bourgeoisie's potential to serve as a tool of imperialist interests in order to preserve and protect its privileges and gains.

Arab unity, which this class has claimed to strive to achieve, had not materialized. The coup d'etat of 1963, which broke the "union" of Egypt and Syria, testifies to the real nature of these petty bourgeois hegemonic tendencies. Were it not for the Israeli threat which brought these regimes together, they would probably have had tried to conquer each other. For example, there is the never-ending tension between the Baath of Iraq and the Baath of Syria,⁷ which nearly led to war in 1975; there is the ever-escalating war of words and nerve between Libya's Khadafi and his more pro-Western neighbours, Numeiri of Sudan and Sadat of Egypt; and there is also the quarrel between Tunisia and its neighbours.

The period 1967-1973 gradually witnessed the rise of popular forces in the area led by the Palestinian Liberation Movement, but with the advent of the "Energy Crisis" in 1973, and the explosion of petro-dollar superprofits benefitting the multinational oil companies and the OPEC states, the situation is now gradually changing.

⁷The Baath (Arab Socialist Resurrectionist Party) was formed in Syria in the 1940's as an anti-imperialist and nationalist group, populist and petty bourgeois in origin. It came to power in the 1960's in both Iraq and Syria and the rift between the Baath of Iraq and that of Syria has escalated since 1965.

The center of power in the Arab World is slowly shifting toward the oil-rich countries led by Saudi Arabia. The importance of cotton has declined and, consequently, so has the clout of the Egyptian ruling class in this area. At present textiles may be fabricated synthetically from an oil base and oil has become the most important commodity in the world--oil, which may be found abundantly in the Arabian Peninsula. This is the source of the new surplus profits, used to consolidate the autocratic rules of the traditional shieks, sultans, and tribal chieftains. The Alliance between the United States and the sheiks of Arabi plays an important role in determining the course of events in the Middle East. The tug of war between the anti-imperialist forces, represented by the popular Arab Nationalist movement with its different offshoots, and the pro-Western semi-feudalist rulers of Arabia with their followers among the desperate ruling classes of the region, still continues. The stalemated outcome of the Lebanese civil war testifies to this frustrating "equilibrium." The prospect for more turmoil in the Arab World is great and drastic changes are bound to happen in the near future. Just who will benefit from these changes remains to be seen.

D. Summary

The history of the Arab World is basically rooted in its commercial character, acting as a passage zone between different centers of Old World civilizations. The peasant character of the Arab World has played a secondary role (excepting in Egypt) in determining the evolution of the Arabian societies. The integration of the Arab World into the

international capitalist development in the center (the Western World) and the socio-economic structure of the different parts of the Arab World. Furthermore, the creation of the Zionist colonial-settler State of Israel has introduced a new element in the history of the region, one which has accelerated and intensified both national and class struggles.

The next chapters will focus more specifically upon the historical, economical, and anthropological aspects of the Arabian Peninsula--a region which increasingly is becoming a very influential part of the Arab World.

III. THE ARABIAN PENINSULA: HISTORY, SOCIETY AND ECONOMICS

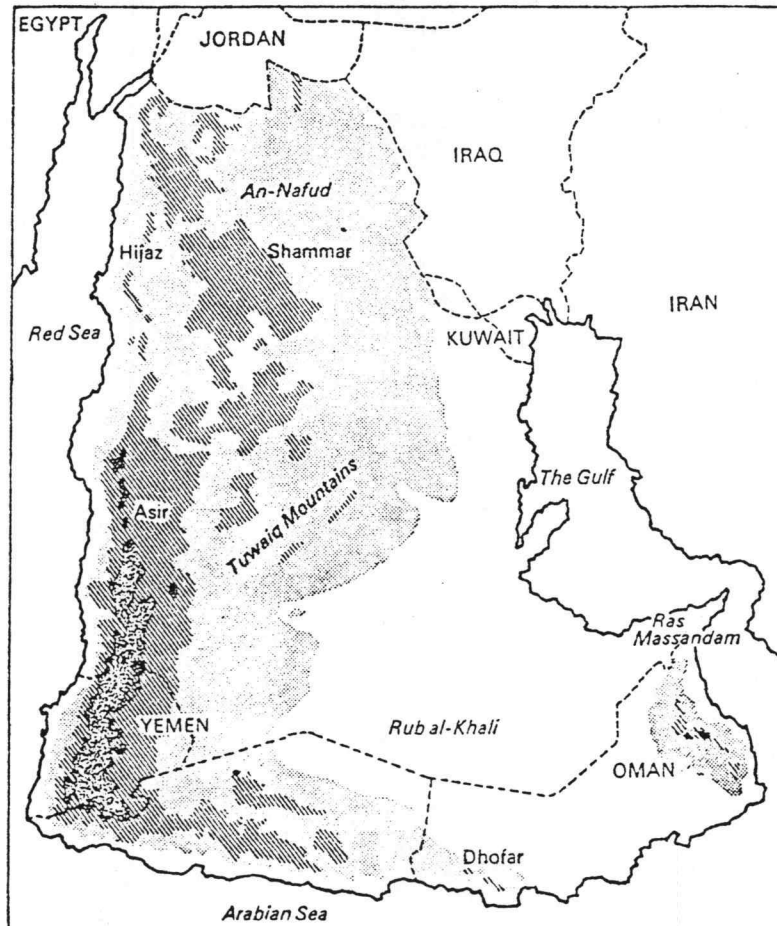
This chapter will provide the historical socio-economic, and ecological context within which the current economic and social transformations of the Arabian Peninsula are taking place; in the next chapter we shall undertake a more detailed analysis of these transformations.

A. History, Geography, and Ecology of the Area

The stereotype of Arabia as a continuum of sand dunes dotted by camel caravans of "primitive," "warlike" and nomadic Arabs is only partially true. Such a picture is certainly rooted in some of the romantic tendencies within Western literature. In reality Arabia has had both a diversified economy and population based upon differentiated ecological systems and geographical features. Most of the Arabian Peninsula is barren. The "Empty Quarter," which is a vast stretch of desert lying to the south, reflects the classic romantic vision, but the dominant characteristic of the landscape is a hard steppe-like land, often stony, but capable of supporting a transient plant life when occasional rains fall.

A sandy coastal plain of varying widths borders the Red Sea, behind which a high mountain chain rises abruptly to 7,000-8,000 feet. Behind this range lies the extensive plateau of Nejd, averaging 3,500 feet with subsidiary ridges superimposed upon it. The land gradually slopes

eastward toward the Arabian-Persian Gulf.⁸ Rainfall is scanty and day temperatures are high. Some parts of southern Arabia (North Yemen, Dhofar, Oman) are mountainous. Map 2 shows the physical variations of the Arabian Peninsula.



Map 2. The Arabian Peninsula--Physical.

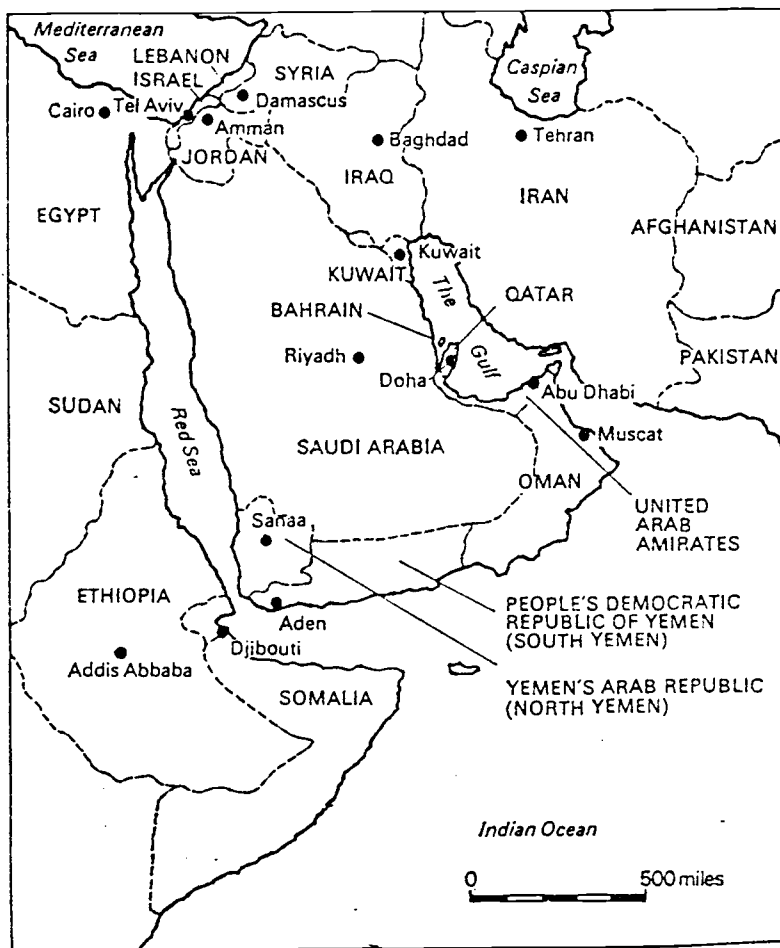
⁸ I am using the name "Arabian-Persian" Gulf in place of the Persian Gulf, as it is known in the West, or the Arabian Gulf as it is called in the Arab World (Arabian/Iranian nationalisms notwithstanding), because the Gulf is populated by the Arabs on one side and Iranians on the other.

The area has been sparsely populated. For an area of one million square miles there is only a population of about 12 million, as estimated in the mid-twentieth century, corresponding to a population density of about 10-11 per square mile, one of the lowest in the world.

The percentage of cultivated land is also low, varying from one state to another: in Saudi Arabia, the largest state, it is around 0.2 percent; in South Yemen it is 0.5 percent; in Oman it is 1 percent; and it reaches its highest percentage, nearly 5 percent, in North Yemen. Regular rainfall occurs in only a few minor parts of the Peninsula, however, the regular Indian Ocean monsoon provides a downpour for areas of North Yemen, Dhofar, and Oman. There are no rivers in Arabia flowing from their sources to the sea. Man-made water wells and relatively few natural springs have provided the basis for oasis ecosystems that sparingly dot the Peninsula.

The Peninsula, in Arabic Al-Jazira, and known by non-Arabs as "Arabia," has been politically unified only a few times, and for only short durations. Principally, this occurred at the beginning of the Islamic era. But despite disunifying factors corresponding to geographic, social, and historical divisions, the entire area has possessed a definable cohesion due to the continuous social and economic interaction of the various parts of Arabia. Today Arabia is politically divided (due in great part to the colonial legacy) into eight states as shown on Map 3. Following the discovery of oil the economic and political links of most of these states have been strengthened.

The Peninsula may be divided into two demographic areas: the nomadic north and the settled south. The early history of the region



Map 3. The Arabian Peninsula--Political.

was significant of the development of settled civilizations in the south, made possible by agricultural developments attributed to fertile soils and monsoon downpours. The pre-Islamic kingdoms of the region based their wealth on centralized organization of agricultural activities and direct control of the incense crop. The Minaeans (1500 B.C.-900 B.C.), Sabaeans (900 B.C.-115 B.C.), and Himyarites (115 B.C.-525 A.D.) are examples of the most well-known kingdoms of the region, spanning most of what is today known as North Yemen, South Yemen and Dhofar. The famous dam at Marib in North Yemen was allegedly built in the seventh century

B.C., continuing to function until the second century A.D. It was the pivotal structure around which the entire irrigation system functioned and its collapse is associated with the general decline of the area. But it is important to point out that a concurrent shift in trade routes also contributed significantly to that decline.

Incense trade brought Yemen into contact with the other world civilizations on the Mediterranean. The "Queen of Sheba" (Sheba being a corruption of the Arabic word Sabaea) is in the Bible reported to have come to Jerusalem to visit Solomon; the Romans differentiated between "happy Arabia" (Arabia Felix), referring to Yemen, and "Stony Arabia" (Arabia Petrea), referring to the north. In 24 B.C. the Romans tried to conquer south Arabia. Allius Gallus, under the leadership of Caesar Augustus, led the unsuccessful attack. The migration to south Arabia of many Jews of Jerusalem, after its fall in 70 A.D., resulted in impressing Judaism upon the Himyaritic kingdom as its official religion. In 525 A.D. Christianity was imposed upon the area when Abyssinia (Old Ethiopia) conquered the Himyarites. This defeat was the culmination of a long process of decline in the south Arabian civilizations. The collapse of the Marib dam, a series of migrations from Yemen to Oman and northward towards the nomadic zones and the shifting of the trade routes were also important factors in the process of decline.

The trade route shifts were a function of the political and economical stability of the connecting points. The Persian and the Byzantine empires, dominating Egypt and the Fertile Crescent (Mesopotamia and Old Syria), were also declining civilizations during the first

centuries of the Christian epochs. Political instability in these regions affected the Southward nomads, who were not yet politically unified and, eager to overcome the negative impact of these instabilities upon their commercial role, they eyed Roman and Persian weaknesses with ambition, desire, and anxiety.

In western Arabia, more specifically in the trading town of Mecca and later on in the nearby Oasis of Medina, Islam was born. In addition to the other general and regional conditions we have mentioned, the emergence of Islam coincided with the influx of migrant tribes from the decaying south, replete with sectarian and ideological conflicts between Christians, Jews, and Arab pagans, and finally with the sharpening of social differentiation in the towns of Mecca and Medina. Mohammed, born in Mecca in 570 A.D., was expelled from the city and directed to Medina in 622 A.D., due to the threat his beliefs constituted to the general atmosphere of religious tolerance in Mecca, a tolerance upon which the commercial prosperity of the town had rested. With great intelligence and political ingenuity, Mohammed successfully brought the conflicting tribes of Medina together, converting them to his ideas. Within the next few decades, Islam reached all of North Africa and Spain, Iran, parts of the Byzantine empire and the entire Arabian Peninsula. The expansionist dynamics of Islam attracted the military backing of nomadic tribes, who spread the Word by the sword, settling the land they conquered and intermingling with the people they came to rule.

What is interesting is that the center from which this thrust came was not affected to a great extent. From the beginning the political capitals of the Moslem world--Damascus, Baghdad, Cairo, and Istanbul--were in the agrarian states of the north (Fertile Crescent) and the ties between the imperial center and its distant extensions were very early broken.

From the eighth to the nineteenth centuries the Arabian Peninsula was subjected to inconsistent and sporadic control and influence from the outside. Three successive empires, the Ummayyads (until 750), the Abbassids (750-1258), and the Ottoman Turks in the sixteenth century, tried to control and tax parts of the Peninsula. The first two obtained little success and the Peninsula regained its autonomy almost immediately. The Turks occupied Yemen and Mecca for almost a hundred years, until their empire began to fall apart. In the eighteenth century the coast of Oman was briefly attacked by a revitalized Iranian State in the nineteenth century a temporarily resurgent Turkish empire once again tried to control western Arabia and Yemen, but was expelled during the First World War. The effect of these incursions upon the socio-economic organization of the Peninsula was minimal.

B. The Economic Anthropology of Arabia

Before I begin to discuss the specifics of the economic anthropology of Arabia a few words concerning the title of this section are in order to better understand the framework of my analysis.

Anthropology is a multidimensional study of the nature, evolution, and development, past and present, of human societies in general. Economics as a Western science allegedly studies the "economic" activity of man, i.e. the optimum means to achieve maximum ends. But "economics" are the activities of Western men, formulated within the nature and historical context of Western societies and reflecting Western civilization's perceptions of itself and the world. According to Engels:

Political economy--as the science of the conditions and forms under which the various human societies have produced and exchanged and on this basis have distributed their products--political economy in this wider sense has still to be brought into being. Such economic science as we have up to the present is almost exclusively limited to the genesis and development of the capitalist mode of production. (Engels 1939:163)

Without diverging into an elaborate philosophical discussion of the meaning of "economic rationality" or "economic irrationality," it becomes clear that in order to understand the balance of mankind not living in the West, Western economists must redefine their established definitions. To act accordingly is so drastic a step that one may not change his world-view without changing his view of himself--and this has been one of the most fundamental tenets of critical philosophies. Economic anthropology seeks to redefine "economic activity" and situate it within its cultural, social, economical, historical, and ideological context. It is the study of the modes of production, distribution, and consumption of goods and services, within a hierarchy of needs, in a given society (Godelier 1972).⁹

⁹Godelier, in his book Rationality and Irrationality of Economics, provides an illuminating discussion of the origins of the economic rationality. This work also contains an enlightening critique of

The following analysis of the Peninsula, which essentially pursues the one advanced by Fred Halliday in his book Arabia Without Sultans, will be limited to the period prior to the discovery of oil (1933), an occasion that has caused fundamental changes in the history of the area and that we shall encounter in the next chapter.

Throughout most of its history the Arabian Peninsula has predominantly reflected a subsistence economy, but the existence of a commercial sector greatly influenced the economy as a whole. Contrary to stereotypical beliefs, the inhabitants of the area are not mostly pastoral nomads. Fifty percent of the population are settled people concentrated in towns and living along the coast as fishermen and traders or as peasants in agricultural areas. Some of these towns, e.g. Medina, Nizwa, and Sanaa, have been agricultural centers; others, like Mecca, Aden, or Kuwait, have been trading centers dependent on the commercial variations of the area. Only about 40 percent of the population, dominating most of the land area in the north, are nomadic. The camel (or "ship of the desert") has been the basis of the nomads' existence. From that animal they obtain food, housing materials, transport, and clothing. The feeding areas of the camel have been mainly the permanent oases and the occasional greenery temporarily growing after sporadic rainfalls in different parts of the Peninsula. The agricultural areas have provided dates and cereals, and irrigation

anthropological practice and theory, and an elaborate discussion of the use of the dialectical method in economic analysis.

systems have been constructed to conserve water. Only in Dhofar is the rainfall enough to grow crops without irrigation, due to the monsoon downpour. Both settled and nomadic people have practiced trade, of which there are three kinds:

1) Intra-peninsular exchange between different economic sectors.

Animal products like skins, oil, meat, etc., are traded by the bedouins for agricultural products from the peasants and for products of artisans in the towns; fishermen trade their catches for the products of other sectors.

2) The exchange of peninsular goods for imported ones. The most important peninsular product has been incense, grown mostly in the Dhofar and South Yemeni hills. It is transported to India via the sea or to the Mediterranean via caravan routes along the Red Sea coast. During the eighteenth century coffee also became an important export to Europe and North America; gold and manufactured goods of the countries of the north have been imported in exchange for incense and coffee.

3) The entrepot trade. Being a passage zone between India, China, and Africa to the southeast and southwest and the Mediterranean and Mesopotamia on the north, the Peninsula and its surrounding waterways have been used as a turntable to connect these different civilizations. The fate of ports in the Arabian-Persian Gulf or in the Red Sea (Kuwait, Aden) has been affected by economic conditions at the extreme ends of these routes. Economic dependence on trade has been tremendous, to a great extent influencing political and social relationships.

There are other social aspects greatly influencing Arabia, which we may categorize in the realms of social organization, property ownership and labour, tribal power structure, inter-tribal relations, and social stratifications¹⁰:

1) Social organization: Tribe is the basic unit of social organization, a kinship unit based on either real or imaginary ancestry through the male line. Marriage is usually within the tribe but when, for reasons of alliances, inter-tribal marriages occur, the women move into the men's tribe. There exists within each tribe economic, military, and political activities, in both settled areas as well as among nomadic people. The tribe has remained the main constitutive form of social organization among the sedentary peasant communities of south Arabia and in merchant towns such as Aden, Kuwait, and Bahrain.

2) Property ownership and labour. Both individual and collective ownership have existed among peasants and nomadic groups. This is due to the relatively undeveloped economic system. Within a tribe, family ownership is the predominant form, especially as concerns animal

¹⁰Information about the Arabian Peninsula is not that extensive; a collection of data and a bibliography can be found in the Area Handbook for Saudi Arabia published for the U.S. government by the American University, Washington D.C. Other descriptive books and articles include L.E. Sweet, "Camel Raiding of North Arabian Bedouin: A Mechanism of Ecological Adaptation," Peoples and Cultures of the Middle East, Vol. 1 (New York 1970) and Wilfred Thesiger, Arabian Sands (London 1959). Also for an historical and interesting account of "Lawrence of Arabia" see P. Knightly and C. Simpson, The Secret Lives of Lawrence of Arabia (London, 1969); also for Lawrence's own account of the formation of Islam see W. M. Watt, Mohammed at Mecca (London 1953).

ownership. The ownership of land has varied, dependent upon the nature of the economic activity. In the case of nomads, tribes as a whole have traditional rights to certain water sources and grazing lands. In settled areas agricultural land has been controlled by specific tribes, although individual ownership of land within the tribe has been allowed.

The most common form of agrarian labour in south Arabia, as well as in the oases of the interior, has been share-cropping. Land owners, be they sheiks (tribal chieftains), merchants, or rich peasants, compel peasants to work on their land in return for a portion of the crop. In the towns along the coast, boat-owners would hire fishermen or pearl divers in return for a percentage of the catch. The existence of small, individual operators in both agrarian and maritime regions has been a common phenomenon.

3) Tribal power structure. The distribution of political power within the tribe has been relatively unequal, first between men and women, and second between male leaders within the tribe. The tribal leader, known as the Sheikh, or in Arabic the "old man," has two basic functions: to deal with the internal contradictions and conflicts among different families and factions within the tribe, and to represent and lead the tribe in inter-tribal alliances and conflicts. A tribal council, called the "majles" in Arabic, consisting of the more powerful members of the tribe, chooses the Sheikh. Members of the majles may challenge the Sheikh's position when he fails to perform his duties in accordance with their wishes. In practice, the Sheikh wields tremendous power, and, in some cases, he is able to reserve his position for his

family, thus making one of his sons the next tribal leader. The Sheikh may use his power to eliminate any challenge from other members, consequently the assertions of some romantic writers that the tribe is a truly meaningful "democratic" institution is inaccurate.

An important characteristic of Arabian life, especially among the nomads, is the insignificant amount of available surplus, due to the near subsistence-level of the economy. For this reason economic differentiation among members of the tribe has been very insignificant. But political power, accompanied by the power of economic management, has been reserved for the minority of influential male family leaders. Fixing bride-prices and marriage arrangements are also a preserve of elder male members, giving them control of one of the most important means of allotting and transferring wealth within the tribe. Due to the existence of a relatively higher amount of surplus production and more differentiated divisions of labour in the agrarian and merchant areas, the position of the Sheikh carries definite economic advantages in these societies.

4) Inter-tribal relations. These relations have been principally distinguished by feuds and alliances, the latter of which may alter rapidly by confederations of tribes, in Arabic hiif or in the plural ahlaf. Within these ahlaf confederations tribes agree either upon neutrality or to join in a common campaign against other tribes. Inter-tribal feuding has been a dominant characteristic of the region, always posing a handicap to the evolution of larger political units or degrees of economic cooperation. It is a situation which has

strengthened tribal identities by locking individuals into the tribe, which in turn is obligated to avenge any wrong done to any of its members. An individual without a tribe is helpless and, as a result every tribesman, whether peasant or nomad, is a warrior. The poverty of the area, including scarcity of food and basic necessities, has resulted in constant theft, thus further provoking feuds. As a consequence the raiding of caravans, or at least exacting tolls from them, has formed a major source of livelihood for many tribes. The elaborate folklore of the ghazw (camel-raiding) is in Arabia a testament to the importance and influence of feuding, which with time has become an integral and autonomous aspect of life in the Peninsula regardless of scarcity of resources. In a way feuding has kept nomadic tribes from sedentarization: One's wealth is safer when kept mobile than it would be in vulnerable, static, and exposed settlements. This bears ideological consequences, insofar as even today many tribes feel it dishonourable to practice agriculture.

5) Social stratification. Stratification has operated both within and between tribes. Social differentiation through the unequal distribution of surplus has increased with sedentarization, which in turn has sharpened conflicts between members of tribes over the acquisition of power, wealth, and ownership of the means of production.

Traditionally tribes have been graded according to the stronger and the weaker, warriors and non-warriors, richer and poorer. Because of the inferior status conferred by sedentarization, share-croppers working in the settled areas are frequently from lower status tribes, rather

than from the same tribe as the landowner. At both ends of the social scale there are minorities, placed altogether outside of the tribal system; domestic slaves, often imported from Africa, and outcast groups who have specialized in specific jobs, have been placed at the bottom of the social scale in Yemen and Oman. Descendants of Ethiopian immigrants, called akhdam in Yemen, have performed menial artisanal tasks in towns and have been considered of a lower status than slaves. In Oman a group of indeterminate origin, but apparently of non-Arab descent, called afaris have been employed as keepers of the land when tribes leave their oases for seasonal wanderings. In contrast at the top end of the social scale there is a group of people, the Sada (meaning "the Masters"), which is mainly comprised of arbitrators and landowners. They claim to be the direct descendants of Mohammed, but at the same time are not considered as a tribe or any kinship group.

Locked into their ecosystem, nomads of the north and peasants of the south have been socially trapped for thousands of years. It is only with the advent of capitalism that the whole area has been profoundly changed; it is a process of change which has accelerated immeasurably with the explosion of oil wealth.

C. Capitalism and Arabia

As a part of the Arab World the history of the integration of the Arabian Peninsula into an international capitalist system is organically linked to the history of the Arab World. The Peninsula has been directly and indirectly affected by the interaction of contending

economic forces. Insofar as the colonial-neocolonial movement has extended into the region the pre-capitalist Arabian society has not, in the end, been able to hold out against capitalist influences. According to Halliday,

Capitalism in the Arabian peninsula has gone through four phases of escalating intensity. In the first phase, from around 1500 to 1800, the impact of European capitalism was confined economically to trade and geographically to the ports of the Gulf and the Red Sea. In the second phase, from 1800 to the end of the Second World War, Britain carried out annexations that left the economic and social structures of the peninsula relatively unaltered. In the third phase which began after 1945 with the rise of the Gulf oil industry, and the expansion of the port of Aden, capitalist socio-economic relations made a major impact on the peninsula; at the same time direct political ties characteristic of the previous epoch began to be modified. By the beginning of the 1970's a fourth phase had begun: the growth of the oil industry had transformed the economic and political structure of the peninsula; the local ruling classes enriched and encouraged, had acquired substantial economic and political importance within the world capitalist system. (Halliday 1975:56)

The development of capitalism in the Arabian Peninsula has two major characteristics as a result of the colonial-neocolonial impact; both of these are directly linked to European policy in the area. The first dominated the period from 1800 to 1945, principally reflecting the socio-economic marginality of the Arabian Peninsula to the colonialists' main economic and strategic interests. By 1870 the British had asserted domination over two-thirds of the Arabian coastal line, running from Aden at the southern entrance of the Red Sea to the coast of the Arabia-Persian Gulf. British policy in the Peninsula was mainly aimed at protecting its interests in India, with the result that as the economic development of the coastal area was retarded, the

interior of Arabia was left intact. At that time British protection of India was the principal aim of controlling Arabia.

Britain pursued this policy by promoting tribal conflicts and strengthening pre-existing divisions, like that between North and South Yemen or that between interior and the coast of Oman (now called the United Arab Emirates). Using the classic "carrot and stick" policy, Britain patronized tribal leaders by giving them money and weapons; if these leaders refused the largesse they would then be attacked and punished. During that period there was no extraction of raw materials, no colonial-settlerism and no growing of commercial crops; only the development of a weak market for some Western-made commodities had been initiated.

The second aspect of capitalist development in Arabia is the intensified spread of socio-economic alterations in the Peninsula after the discovery of oil in the Gulf area, and subsequently in other parts of Arabia. These characteristics have dominated the period since 1945, and the next chapter will deal with those changes in a more specific manner.

D. Summary

The Arabian Peninsula, a vast stretch of land, has been a great zone of passage connecting and separating great world civilizations. This fact has greatly affected and conditioned its history and socio-economic structure. The basic economy of Arabia has aimed at subsistence, with some agrarian settlements in scattered oases in the

interior and the fertile lands of the south. Tribalism has constituted the dominant social framework, with a great deal of ideological, cultural, and psychological influence on the inhabitants of the area. Islam originated in Arabia, spreading therefrom to the rest of the world.

Since 1800 European colonialism has dominated the area, and since then the capitalist development of the Peninsula has taken place at a quickening pace with a tremendous impact on the original socio-economic system.

IV. THE ARABIAN PENINSULA: OIL, CAPITALISM AND IMPERIALISM

This chapter will be concerned principally with the history and involvement of oil oligopolies in the capitalist development of the region, the consequent socio-economic changes in Arabian society and finally the different modes with which oil wealth is utilized.

A. The Oil Cartels¹¹

The importance of oil and its relevance to industrialized capitalist economies was made abundantly clear during the so-called "energy crisis." This occurred in 1973-74 when tensions between the Arab World and Israel erupted in open conflict beginning October 6, 1973, culminating in what was referred to as "Arab blackmail" or an "Arab oil embargo" aimed at pressuring the West to in turn restrain Israeli aggression.

American, European, and Japanese consumers had to wait in long lines in order to partially fill the gas tanks of their automobiles, while some of them were even turned away from gas stations because there was no longer any gas. In the meantime oil and oil by-product prices sky-rocketed, while the blame was transferred to the Arabs and other "natural" shortages. But the Wall Street Journal thought that "The energy 'crisis' . . . may be the best thing that's happened to the oil

¹¹Harvey O'Gonner's World Crisis in Oil (London 1962) and Blair's The Control of Oil (New York 1976) give an excellent account of the history of oil monopolies in the Middle East.

and gas business in a long time" (WSJ, August 14, 1973). Indeed, additional profits from price increases ranged from 80.7 percent for Exxon, 90.9 percent for Gulf to 50.7 percent for Standard of California when comparing the third quarter of 1973 to the third quarter of 1972. The Chase Manhattan Bank (a major stockholder in Exxon) projected that oil industry profits in 1974 would reach 80 billion dollars in comparison to 10 billion dollars in 1973, "in order to meet investment needs."

The rise of oil as a basic industrial commodity has been a long process. Annual world production has increased from 20 million tons in 1900 to 2400 million tons in 1972. By the 1960's oil provided for more than half the energy needs of the industrialized capitalist system, overtaking coal as an energy source. It is estimated that oil shall remain the main energy source at least until after the year 2000. Oil has accounted for 10 percent of world trade and 50 percent of world shipping tonnage, while the profits from oil have accounted for 60 percent of the income coming from U.S. foreign investment in the colonial world. And oil interests have constituted 30 percent of total U.S. foreign assets. Six of the top 13 world businesses in 1972, on the basis of their sales, were oil companies. Among the twelve leading companies in the U.S. five were major oil businesses, while the two largest companies in Britain were Shell and British Petroleum. For all these enterprises the Arabian Peninsula and the Arabian-Persian Gulf area (including Iran) have had special importance. This area provides 30 percent of total world oil production and it contains an estimated 65 percent of all known reserves. This means that the strategic dependence

of world capitalism upon this area is bound to increase, not only confirming the intention of capitalist countries to control and dominate the Peninsula and the Gulf, but also signifying the necessity of integrating this area into the world capitalist system in order to facilitate its domination.

A brief look at the composition, history, and policies of the oil companies involved in the Peninsula and the Gulf area is necessary in order to understand the nature of the forces at play in the region.

First, it is interesting to note that the oil industry has been one of the main industries in which monopolistic tendencies fully revealed themselves relatively early in the history of capitalist development. Since 1920 it has been dominated by seven large firms, all of which control the three main industrial processes of production, refining, and marketing. The following table indicates the nature of these monopolies.

Table I. THE MAJOR OIL COMPANIES

Firm	Sales* (1972)	Assets* (1972)	Employers (1972)	Profits ⁺ (1972)	Profits ⁺ (1972)
Exxon	18.7	20.3	143,000	1,532	2,440
Shell	12.7	19.7	185,000	704	1,780
Mobil	8.2	8.6	75,300	574	843
Texaco	7.5	10.9	75,200	889	1,292
Gulf	5.9	9.5	57,200	197	800
British Petroleum	5.2	7.9	70,600	178	803
SoCal	5.1	7.5	42,500	547	844

*in billions

⁺ in millions

Source: Fortune 1972; Financial Times, May 13, 1974, quoted in Halliday 1974:408.

Five of these companies are based in the U.S.: Mobil, Texaco, Standard Oil of California (SoCal), Gulf, and Standard Oil of New Jersey (Exxon). The other two are Anglo-Dutch (Shell) and British Petroleum (BP). French interests are represented in the Compagnie Française des Petroles (marketing Total); this company possesses some political influence in the area, but its economic strength has been less than the others. When combined, these companies by 1968 controlled 60.9 percent of refining, 77.9 percent of world production, and 55.6 percent of world marketing facilities.

The extraction of oil in commercial quantities from southern Iran began in 1908. Perceiving the strategic significance of the oil potentials of the region, the British moved quickly to strengthen their hold on known resources. The shifting of the British navy in 1913 from coal to oil in order to run its fleet was facilitated by the British government's acquisition of a controlling interest in the Anglo-Persian Oil Company, to the extent that its two directors on the APOC Board were armed with veto powers. In addition Britain coerced its Arabian colonies into signing capitulationist agreements not to grant any exploration rights to non-British companies without consulting the British government; Kuwait in 1913, Bahrain in 1914, and Oman and other emirates in 1920 signed these agreements.

Following the First World War the French and the British expelled the German representative (Deutsche Bank) from a Western consortium granted exploration rights in Iraq by the Turks in 1912. Both of these European countries tried to block North American companies' access to

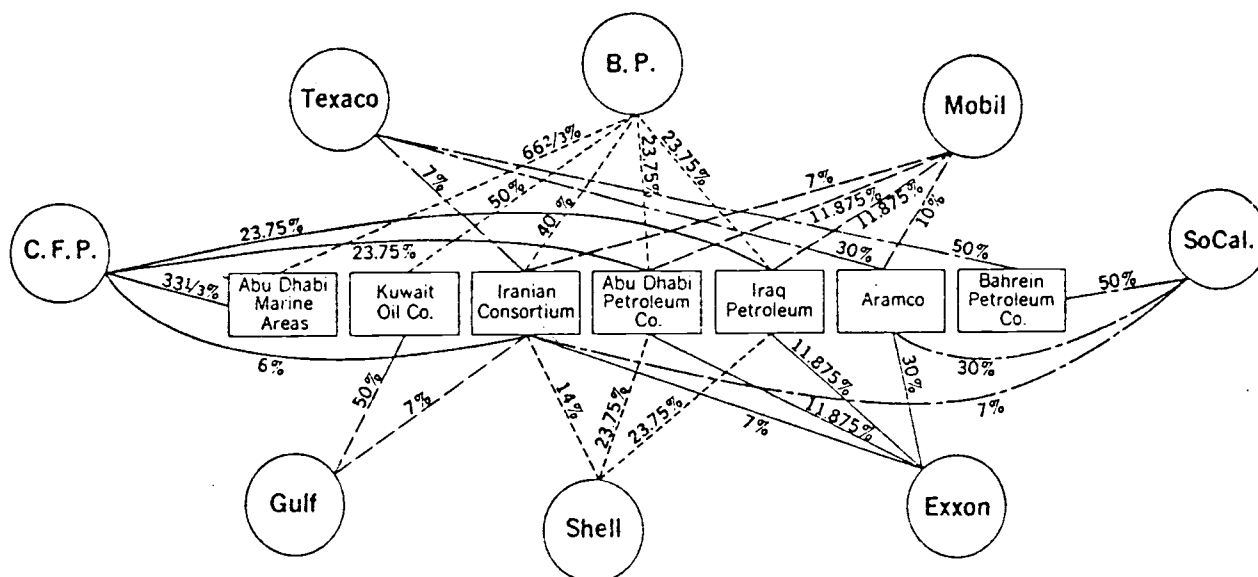
the region, but they failed in the end and Standard Oil of New Jersey and Socony-Mobil acquired a joint 23.75 percent share in the Iraq Petroleum Company. Shell, BP, and CFP each retained a 23.75 percent share, with the remaining 5 percent going to the entrepreneur Gulbenkian, who had originally helped conclude the 1912 agreement with the Turks.

Since this compromise international oil companies have gradually evolved a working relationship amongst themselves. It first started with the "Red Line" agreement worked out by the French in October 1927. This agreement curtailed competition within an area marked by a red line, an area including all the Arabian Peninsula with the exception of Kuwait, Iraq, Syria, Jordan, and Turkey. A pricing agreement was formulated in September 1928 to the effect that the companies agreed to combine interests, share facilities and to fix all prices for sales outside the cartel at the level prevailing in U.S. ports on the Gulf of Mexico.

As the "gentle competition" among the oil monopolies unfolded, the U.S., being the most vigorous of the capitalist countries, was able in 1933 to acquire concessions from Ibn Saud, the new monarch of Saudi Arabia. These concessions were given to SoCal, later joined by a consortium of other U.S. firms which made up what is known now as ARAMCO --the Arabian-American Oil Company. Texaco, SoCal, and Jersey held 30 percent each, while Mobil got the remaining 10 percent. Using the influence of the U.S. State Department, the American companies were also successful in pressuring the British to permit U.S. firms to operate in Bahrain, and the Bahrain Petroleum Company was created with SoCal and Texaco holding 50 percent each. Production in Bahrain began in 1934,

and a refinery was built to process oil extracted locally and from nearby Saudi Arabia. Another 50-50 consortium was created in Kuwait in 1934, but this time joining BP and Gulf in what was called the Kuwait Oil Company. The Neutral Zone between Saudi Arabia and Kuwait (2,000 square miles, demarcated in 1922) was given to the smaller American independents Getty Oil and the Aminoil Consortium in 1949. IPC had a concession in Qatar, where oil was found prior to the Second World War. In Abu Dhabi two consortia had interests: the Abu Dhabi Petroleum Company, a subsidiary of IPC, and Abu Dhabi Marine Areas, two thirds of which belonged to BP and the other third to CFP, and production began in 1962. Figure 1 illustrates ownership links between the above-mentioned oil companies.

**Ownership Links Between the Major International Oil Companies
(Including Compagnie Française des Pétroles)
and the Major Crude-Oil Producing Companies in the Middle East**



Source: U.S. Senate, *Hearings Before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, On Multinational Petroleum Companies and Foreign Policy, Part V, p. 290*

Figure 1. Ownership links between the major international oil companies.

The history of oil exploitation in these regions is also the history of a relentless aggression committed by the oil monopolies and their respective governments against the aspirations and the wishes of the people of these regions. For example, when in 1951 Iran nationalized its oil, a boycott campaign was launched by BP to sabotage the Iranian economy and to encourage British and U.S. governmental intervention in its behalf. The campaign concluded successfully with the overthrow of the nationalist government of Mosadeq by means of the well-known CIA-instigated coup d'état in 1953. Kermit Roosevelt, the CIA agent in charge of this operation, was in 1960 awarded for his success with a vice-presidency in the Gulf Oil Company. IPC counter-measures in response to the Iraqi nationalization of 1961 included a refusal to increase production; the Algerian and Libyan nationalizations of 1970-71 led to international law suits against anyone purchasing their oil production. The formation of OPEC (Organization of Petroleum Exporting Countries) in 1960 was a partial answer to the domination of the oil monopolies.

B. The Explosion of Wealth¹²

Never before in history has wealth been accumulated at such a rate and in such amounts as has accrued to the states of the Arabian Peninsula from the sale of their oil. In 1970 the combined oil income in the

¹²For an inside account of the extent of acquisition and distribution of oil money see M. Field, A Hundred Million Dollars a Day (London 1975).

Arabian-Persian Gulf exporters (including Iran) was slightly more than \$4 billion, but this figure could reach \$100 billion by 1980. Predicted revenues will multiply twenty-five times, while production will be raised 50 percent from the previous decade. "Cumulatively, during the whole of the present decade the oil revenues (in constant dollars) will probably add up to around \$170-190 billion for Iran, \$60-70 billion for Iraq, and \$320-360 billion for the Arabian Peninsula" (Field 1975:52). Table II below shows this increase in oil revenues, as estimated by Michael Field in his A Hundred Million Dollars a Day.

TABLE II. MIDDLE EAST OIL REVENUES
(in millions of dollars)

Country	1973	1974	1980	Population
Bahrain	not available	not available	260	220,000
Sharjah	not available	not available	880	40,000
Oman	not available	not available	1,750	750,000
Dubai	not available	not available	1,310	65,000
Qatar	600	1,650	2,190	110,000
Kuwait	2,800	8,000	8,540	850,000
Abu Dhabi	1,200	4,300	6,570	60,000
Iraq	1,900	6,000	10,620	9,000,000
Iran	5,600	22,000	25,400	31,000,000
Saudi Arabia	7,200	29,000	42,890	7,500,000
Total	19,300	70,950	100,410	49,595,000

Sources: Field 1975, p. 52, 55, and Time, July 18, 1977, p. 48, for Saudi Arabian population figures.

Numbers sometimes are so abstract that they convey little meaning so far as their values are concerned. To give an idea of what \$43 billion can do, as estimated for Saudi Arabia by 1980, Field suggests that

it could finance the Apollo moon programme in seven months,
the research and development costs of the Concorde in three

to four weeks, and the building of the Sydney Opera House in fifteen hours. (Field 1975:51)

This does not mean that these states are rich by Western standards. For instance, Saudi Arabia, one of the largest and more populated states of the Arabian Peninsula, would be considered weak by today's standards of power.

Its population is sparse; only 7.5 million people in a country twice the size of Western Europe. Its army is tiny: a mere 35,000 men. Economically, the country is only in the beginning stages of industrialism. It suffers from what elsewhere would be debilitating inflation (prices are rising about 40 percent a year), and so many of its workers are illiterate that it is heavily dependent on imported foreign labour." (Time, July 18, 1977:48)

However, this wealth is being used to transform the original socio-economic system of the area, and without the surpluses accrued from oil revenues such a fundamental transformation would have been impossible.

C. The Economic Transformation

The nature of the economic transformation of the Arabian Peninsula (excluding North and South Yemen because of their political history and due to a lack of oil) may be characterized as follows:

- 1) The internal development of the infrastructural base for capitalist-oriented economies;
- 2) The integration of these economics into the world capitalist system, accomplished by reinvestment of oil revenues in developed capitalist centers (Europe, the U.S., and Japan), by making funds available for loans to other developing capitalist countries, and by assuring export, contracting, and investment opportunities for market-hungry firms from the advanced capitalist nations (MERIP, March 1974:21).

In my discussion of these characteristics of the Peninsula's economic transformation I shall focus mainly upon Saudi Arabia, for reason of its importance, size, and wealth when compared to the rest of the oil-producing states of the Peninsula.

The building of the economic infrastructure--roads, ports, hospitals, seawater desalination plants, power stations, schools, and airports--has taken place at an uneven rate in the area. For instance, Kuwait, Bahrain, and Dubai were thriving entrepots for some time before oil was produced, since they were affected very early by some "modernizing" aspects of British administrative colonialism and had gone far in developing their infrastructure. In Saudi Arabia this situation is quite different, since this process started only recently and was given its tour de force in a gigantic \$140 billion five-year (1975-1980) development plan (concocted by Stanford Research Institute for the handsome sum of \$6.4 million). "Never before in history has a country had to introduce electricity, running water, telephones, telex, and color television all at the same time," mused a Saudi businessman about his country's frenetic pace of development (Time, July 18, 1977: 48).

The nature of the five-year plan can be traced to earlier budgets, like that of 1973-74 when oil revenues started to flow in streams (it jumped from \$4,915 million in 1973 to \$24,500 million in 1974) and the objectives and priorities of development were set.

The budget was balanced at 22.8 billion ryals (\$6.1 billion; then \$1 = 3.83 Saudi ryals) an increase of 72.8% over the 1972-73 budget. The fiscal year began July 30, 1973, and total oil revenues were then estimated at \$5.9 billion,

accounting for 92.5% of total budget revenues, with taxes and customs filling in the rest. A huge increase of 112.3% was allocated for new development projects amounting to an estimated \$4.018 billion. The largest single allocation was, as usual, for the defense and aviation ministry, which received \$1.54 billion. A sum of \$730 million was set aside to pay for Saudi Arabia's initial 25% equity in Aramco . . . [and] the budget raised the salaries of government employees, both civil and military: the increase amounted to 15% for middle income employees and more for those in lower income brackets. (MERIP, March 1974:20)

The expansion of ports and airport facilities was allocated \$200 million. Twenty percent of the development budget was allocated to road construction, and it was expected to attain 8400 miles of paved roads when projects were completed. About \$254 million was allocated for improving existing educational facilities and building new schools. There were 1695 primary schools (600 in 1959-60) and 441 post-primary schools; total school population was 477,870 pupils, but the great majority are still receiving traditional educations.

In 1969 there were only 80 hospitals, 206 dispensaries and 325 village health centers, staffed mostly by foreign doctors and nurses. The building in Riyadh of the new and ultra-modern King Faisal Specialist Hospital was undertaken by Hospital Corporation of the U.S.A., with a medical computer system installed in the hospital by the British firm Scicon. A college of medicine was to be constructed in Riyadh, and other development projects went for the improvement of pilgrimage facilities in Medina and Mecca and the development of Taif, the summer capital (located in the mountains of the west coast), as a resort (MERIP, March 1975).

One other overwhelming fact about Saudi Arabia, besides its immense oil wealth, has been that only 0.2 percent of the country is cultivated and non-agricultural production has been predominantly minimal. Most of the land was confiscated by Ibn Saud in 1920 and now it is government owned. To overcome these deficiencies the government spent \$60 million to stabilize sands around the al-Hofuf oasis by planting tens of thousands of trees and constructing an improved irrigation system creating an additional 50,000 acres of arable land. Other projects included the expansion of seawater desalination plants.

The first five-year plan (1970-1975) had three main goals: to diversify the economy, to increase employment, and to redistribute wealth in order to stabilize society as a whole. These goals are being gradually attained within the framework of capitalist development. A discussion of the process of industrialization shall be deferred to the next chapter.

It is at this point more important to elaborate upon Western stakes in the capitalist development of the whole region:

A report by Tokyo's corporate-funded Economic Research Bureau calculates that imports by Middle East countries were up 76% in 1974 over the previous year, after successive rises of 10%, 24%, and 40% from 1970 on. The five year gains add up to 260%. The biggest hikes were among the oil producers led by the United Arab Emirates (527%) and Iraq (526%). 74% of total imports came from 14 industrialized countries up from 70% in 1970. 62% of the total came from six countries, headed by the U.S. (13.7%), West Germany (12.4%), France (10.5%), Japan (10.3%), England (8.1%), and Italy (7.6%). . . . the treasury department issued a report in early September [1975] predicting that the oil producing countries would be importing \$133 billion of goods a year by 1985 (in 1976 dollars). (MERIP, November 1975:12).

The same periodical also mentioned that the American exports to the

whole Middle East region increased by 75 percent, while it went up by 90.7 percent for the Arab World. Saudi Arabia is becoming a major importer of U.S. goods and services. U.S. sales to Saudi Arabia increased from \$1.5 billion in 1975 to \$2.77 billion in 1976, and they are expected to top \$3.7 billion this year. American firms hold about \$20 billion in Saudi contracts, and more are on the way. Some of these major contracts include a \$4 billion contract signed recently with Bechtel Corporation for construction of an airport on a 115 square mile site at the capital city of Riyadh. One of the largest single construction projects in history--a \$14 billion system to capture natural gas released at oil-drilling sites--has been assigned to ARAMCO, the same company which has also been awarded a \$3 billion electrification project (U.S. News and World Report, July 25, 1977:57). Although Saudi Arabia is in the process of taking over ARAMCO, it remains basically a U.S. company, managed by Americans and with many U.S. employees.

"Ownership," said John Lichtblau, a leading U.S. oil economist, "no longer means a thing. It is access to oil and the price paid for it that count." "Aramco," said an oil industry source, "is likely to have access to 95% of Saudi production as it does now." (Christian Science Monitor, December 27, 1976)

Table III below contains useful economic information concerning oil producing countries.

Most of the contracts handed out by the Saudi government in recent years have been of the "turnkey-plus" variety. This means the company constructs whatever is called for in the contract and then turns over the keys and leaves without stock ownership in the project. An information bulletin from the American embassy in Jiddah, prepared April

TABLE III. ECONOMIC DATA ON OIL PRODUCING COUNTRIES
(In billions of dollars)

	<u>Oil</u> <u>Revenue</u>	<u>Non-Oil</u> <u>Exports</u>	<u>Total</u> <u>Revenue</u>	<u>Merchandise</u> <u>Imports</u>	<u>Net</u> <u>Service</u> <u>Payments</u>	<u>Grants/Aid</u> <u>Disbursed</u>	<u>Total</u> <u>Absorption</u>	<u>Surplus</u> <u>(Deficit)</u>
Algeria								
1974	3.7	0.4	4.1	3.7	0.5	0.0	4.2	(0.1)
1975	3.8	0.3	4.1	5.7	0.3	0.0	6.0	(1.9)
1976	3.9	0.5	4.4	6.2	0.6	0.2	7.0	(2.6)
Iran								
1974	18.7	0.8	19.5	7.2	1.8	1.1	10.1	9.4
1975	18.9	0.7	19.6	13.5	2.2	0.6	15.3	3.3
1976	22.1	2.0	24.1	17.0	2.5	1.5	21.0	3.1
Iraq								
1974	5.7	0.2	5.9	3.2	0.4	0.4	4.0	1.9
1975	8.0	0.2	8.2	6.1	0.8	0.1	7.0	1.2
1976	9.9	0.3	10.2	6.9	1.0	0.5	8.4	1.8
Kuwait								
1974	8.0	0.4	8.4	1.4	(0.5)	1.2	2.1	6.3
1975	7.8	0.6	8.4	2.2	(0.8)	1.8	3.2	5.2
1976	8.4	0.7	9.1	2.8	(1.2)	1.0	2.6	6.5
Libya								
1974	6.2	0.0	6.2	2.7	0.7	0.2	3.6	2.6
1975	5.9	0.0	5.9	4.6	0.8	0.4	5.8	0.1
1976	7.2	0.1	7.3	5.2	0.6	0.5	6.3	1.0
Qatar								
1974	1.6	0.0	1.6	0.2	0.1	0.2	0.5	1.1
1975	1.9	0.0	1.9	0.6	0.1	0.2	0.9	1.0
1976	2.2	0.0	2.2	0.9	0.3	0.0	1.2	1.0
Saudi Arabia								
1974	24.5	0.0	24.5	3.8	0.9	2.2	6.9	17.6
1975	26.8	0.0	26.8	6.5	0.6	1.9	9.0	17.8
1976	33.2	0.1	33.3	8.5	(0.3)	2.0	10.2	23.1
UAE								
1974	6.0	0.0	6.0	1.2	0.1	0.6	1.9	4.1
1975	6.4	0.6	7.0	2.6	(0.1)	0.4	2.9	4.1
1976	8.3	0.5	8.8	3.0	(0.2)	0.5	3.3	5.5

1976 figures are forecasts of expected out-turn.

Source: The Banker, London, March 1977, p. 91.

21, 1973, made the following recommendations to U.S. businessmen contemplating an involvement in Saudi Arabia:

With regard to many larger contracts, a new term is needed-- Turnkey Plus . . . to describe the kind of contract that may be especially attractive both to private sector and to the Saudi government. (MERIP, March 1974:19)

Saudi Arabia can be mainly divided into three geographic markets: Dammam-Al-Khobar in the eastern province (where most of the oil wells are located); Jiddah, commercial capital of the west coast; the capital city, Riyadh, in the interior. In the eastern province ARAMCO dominates the economy; its huge expansion program is based on a policy of spinning off as many services, construction, and maintenance functions as it can to Saudi firms, many of whom have formed joint ventures with American or other foreign firms working in the petroleum sector. According to the same embassy report cited earlier, "New SUPERMARKETS and new hotels are only the beginning of substantial development of a private industry-consumer economy in the Eastern Province."

To contemplate a fundamental change in the relationships between Arab oil-rich countries and advanced capitalist societies is restricted by the degree to which the "development" of the Arab countries is in the hands of Western firms and advisors. After all, the British final "withdrawal" from the Arabian-Persian Gulf was only six years ago--1971. The traditional concerns of the advanced capitalist countries (for which they started two world wars), like maintaining access to supplies of raw materials and to new markets for consumer and capital goods, still remain the major reasons for their participation in these "development" projects and plans. As long as the Arab oil-rich countries remain

unwilling or unable to undertake (individually or collectively) tasks of independent development based on a hierarchy of needs dictated by the socio-economic circumstances of the Arab World, in which production and capital accumulation are controlled by the majority of the Arab people, that control is destined to remain in the hands of local elites and Sheikhs who identify themselves with the corporate-West.

D. Class Structures, Oppression, and Cultural Deformation

The impact of oil wealth on Arabian societies varies from one state to another. For instance, in the entrepot areas of Bahrein, Kuwait, and Dubai, the prosperity of the ruling families was based on trade and control of pearling. The sudden rise in income was used to diversify their dependence without any basic changes in power relations, except by incorporating other merchants into the state. In other states, such as Oman, Qatar, and Abu Dhabi, the ruling families were extremely poor and the sudden wealth had a greater impact. "Abu Dhabi town changed from a bush village to a frontier settlement to something approaching a city faster than anywhere else in the world" (Field 1975:54). The cautious rulers of these states were, with Western encouragement, replaced by more expansive members of their family. A case in point is the change of rulers in Oman. Because of the escalation of revolutionary struggles in the interior of Oman, the discovery of oil in commercial quantities, and the anachronistic nature of Said bin Taimur's savage but inefficient autocracy, a change was indeed necessary and imminent. With the help of British officers who held key posts in the armed forces, on July 23,

1970, a palace coup was staged and the more up-to-date Qabus, incarcerated in his father's palace since his return in 1966 from military training in Britain, was installed as the new Sultan. In Saudi Arabia oil revenues went into the pockets of the Ibn Saud family who ruled a vast kingdom of desert land and whose pre-oil power had rested on military dominance over nomadic tribes and a scattered and impoverished peasantry.

In all these states, the ruling families took first place in appropriating the surplus. But beneath them a growing number of State employees, comprador bourgeois and army officers were able to gain access to wealth and were consequently recruited to [function in the world capitalist system]. Over time, ruling families developed into ruling classes. (Halliday 1974: 512)

In Saudi Arabia the growing clout of the Western-educated technocrats has been steadily growing. Time magazine aptly described this group.

But the men who breathe life into the policy [of partnership with the West] are a lively hard driving group of young technocrats whose attitudes are shaping the country. They are known as the "American Mafia" because they were educated in the United States. The best known of the group is [Oil Minister] Yamani, 47, who studied at Harvard. (Time, July 18, 1977:49)

The advance of secularly-educated Saudis has principally taken place in the petroleum industry. Most of the skilled and semi-skilled jobs and all of the senior staff of ARAMCO were filled by foreigners in 1949. By 1959, 44 Saudis had joined the senior staff and nearly 3000 were on the intermediate staff. By 1971, 1207 Saudis were on the senior staff (with 935 Americans) and the entire intermediate staff of 4944 persons was Saudi (MERIP, March 1974). When Faisal overthrew his

brother, King Saud, in 1964 and installed himself as the third King of Saudi Arabia, he initiated a more pro-United States policy than his predecessor. This translated itself into more reliance and dependence upon the U.S. for integrating Saudi Arabia into the world capitalist system. A clear change has occurred in the places where degrees are obtained abroad by Saudi government sponsored students. Degrees obtained in Egypt were 289 in number compared to 87 in the U.S. during the period 1960-1964; by 1967 the situation had reversed, with Saudis obtaining only 21 Egyptian degrees and 135 in the U.S. (MEJ, Winter 1973: 10). The trend has continued and when only half of 2000 students studying abroad in 1969 were in the U.S., there are now 6000 students studying in the U.S. alone (CSM, November 12, 1977). In private business, capitalist entrepreneurs are thriving as well as the established west coast merchant families, with their activities mostly in construction and new industry, sometimes in partnership with royal family members. There are enormous profits and numerous opportunities in collaborating with the present system. Most western-educated technocrats seem more interested in prestige jobs than in reform, and these positions are still available in most government branches. The great amount of wealth available to the ruling class has facilitated the process of cooptation, thus drawing many potential reformers into the system and giving them an interest in perpetuating the status quo.

The process of proletarianization--i.e. the separation of producers from the means of production, the result of which is the formation of a labour force willing to sell its labour power for what is considered the

socially necessary minimum wage in order for that labour force to reproduce itself--has been a relatively slow one. The capital-intensive nature of oil production has insulated the oil-based economy from the pre-industrial agrarian, nomadic or maritime economies of the producer states. Construction of oil installations, harbours, roads, pipelines and loading areas, using some unskilled labour, has been the basis for the formation of a minority wage-labor force. But as capital intense and automated production increase, actual employment in the oil industry has decreased; most working class people are employed in construction and services. Table IV indicates employment variations in the oil industry.

TABLE IV. EMPLOYMENT IN THE OIL INDUSTRY (APPROXIMATIONS)

<u>Country</u>	<u>1957</u>	<u>1970</u>	<u>Total Employment (1970)</u>
Saudi Arabia	20,000	15,000	1,200,000
Iran	48,000	40,000	7,000,000
Iraq	15,000		
Kuwait	8,000	7,500	200,000
Bahrain	8,500	4,300	60,300
Qatar	4,500		
Oman		4,000	100,000

Source: Halliday 1974:433.

In Saudi Arabia pastorage and agriculture still provide a livelihood for one-half of the population, but they account for only eight percent of GNP. Table V shows the composition of the labour force in 1970. This composition of the labour force is rapidly changing as the current five-year plan (1975-1980) is implemented. There has been a recent and phenomenal influx of foreign labour into the country,

but I shall withhold examining this until the next chapter.

TABLE V. SAUDI ARABIAN LABOUR FORCE (1970)

Nomads	145,000
Agriculture	331,000
Petroleum	15,000
Mining	14,000
Manufacturing	52,000
Construction	142,000
Public Utilities	12,000
Commerce	130,000
Transport and Communication	62,000
Services	138,000
Public Sector	138,000
Total	1,200,000

Source: Halliday 1974:74

To cement and perpetuate existing social structures in the Arabian Peninsula both force and oppression, with Western help and advice, have escalated. The arbitrary and dictatorial ruthlessness of the ruling families of the Arabian Peninsula is matched only by their unbounded and vulgar extravagance, which has made them famous world-wide--from the casinos of Monaco to the plazas of Las Vegas.

The conditions inside Oman were witnessed first-hand by European journalists when Qabus, with British assistance, overthrew Sultan Said in 1970. One of them wrote:

Inside the crumbling palace in which Said bin Taimur chose to sentence himself to life imprisonment, there are still 500 slaves to be set free--evidence of an old age which died with the Old Sultan's rule . . . Among twelve slaves presented to foreign journalists some had been forced, under pain of beating not to speak. As a result they had become mutes . . . Others stood with their heads bowed and eyes fixed on the ground, their necks now paralyzed. The slightest glance sideways resulted in a

severe beating or imprisonment. Others had incurred physical deformity from similar cruelty. (The Times, August 3, 1970).

This account illustrates the medieval conditions that then prevailed in Oman, a country which Britain dominated for more than a century and where British forces and arms are still stationed today, assisting the new Sultan in his war against the guerrillas of Dhofar, Oman's southern province. When the new ruler was asked by a journalist why he monopolized all power (holding the title of Sultan, Prime Minister, Minister of Finance, Minister of Defence and Minister of the Interior) when he considered himself liberal and democratic, he replied that it was not necessary to have either a constitution or a parliament since the people were not mature enough for democracy! (OAS, March 1975)

Ever since it came to power the Saudi regime has been characterized by brutality. Amputation of limbs (a present total of about 70,000, mostly involving lower class people) for petty felonies and public execution (with the sword) of people sentenced to death still take place. Democratic institutions of any type are lacking, trade unions are banned, all publications are censored, and the importation of political material into the country is considered a serious crime. The Saudi rulers justify their regime on the grounds that traditional Islamic systems of "consultation" [who consults whom?!] are better than "imported" systems of democracy (OAS, March 1975). Human rights notwithstanding, the U.S.-Saudi relationship is based on a simple proposition: "American protection for a country [which], though it is rapidly buying modern arms, is still virtually undefended, in return for Saudi petroleum" (Time, July 18, 1977).

The extent of the quantitative and qualitative support the U.S. government offers the Saudi ruling class is demonstrated in arms deals between the two countries:

. . . the U.S. government will provide the Saudis \$30 billion worth of military goods and services during the decade ending in 1984 American pilots are flying Saudi Arabian Air Force planes, and about 6,000 American contract workers [including police and intelligence] are training the Saudi Armed forces. Another 1,000 Defense Department employees are administering the military aid-program. (U.S. News and World Report, July 25, 1977)

The cultural effects of the drastic and fundamental changes now taking place in the Arabian Peninsula are shaped by the socio-economic framework of these transformations. A natural evolution of Arabian society, based upon its original socio-economic structure, its own rhythms, and its own contradictions, has been severely impaired. To the degree outside interference is responsible it is in turn based upon its own socio-economic structures, rhythms, and contradictions.¹³ The superimposition of capitalist development patterns on Arabian societies, i.e. shifting their historical course to converge and merge with the historical development of world capitalism, has resulted in super-structural discrepancies and incongruities which leave irremediable psychological scars on the indigenous people of Arabia. The accentuation of social differences and the increasing monopolization of political power aimed at perpetuating an uneven distribution of wealth (despite proclamations to the contrary in five-year plans) play havoc

¹³For a more detailed critical analysis of cultural imperialism see Stanley Diamond, In Search of the Primitive (New Brunswick 1974).

with a traditional sense of community and social identity. Plunging into twentieth century capitalism has its corollary in the development of socially schizophrenic identity crises, and collective escapism:

"One of the greatest status symbols is heavy drinking. Booze is strictly prohibited in Saudi Arabia, but vast numbers spend their new riches on getting smashed every day" (Time, July 18, 1977:49).

Commodity fetishism, a classically notorious and psychologically alienating characteristic of capitalist modes of production, is in a sudden manner juxtaposed upon the traditional ethics and values of basically subsistence-economy tribal societies. The result:

Ultralavish consumption, a hallmark of Saudi royalty until frugal Faisal put an end to such waste, has been resumed with vengeance [How quickly!] by the newly rich private Saudis. For a Saudi millionaire a Learjet is a must--even if he does not need it. He must own houses abroad in London, Paris, Switzerland and the U.S. Rich Saudis also have a weakness for stretched-out Mercedes cars with built-in bars at \$75,000 each. (Time, July 18, 1977)

An ultimate form of this cultural juxtaposition is revealed in this little story with a rather descriptive content, although according to its author its authenticity may not be wholly confirmed:

One morning, Shaikh Shakbut bin Sultan al Nahyan, Ruler of Abu Dhabi [until 1967], went down to the cellar of his palace to have a look at his oil revenues, and found, to his great dismay that some 50,000 English pounds worth had been eaten by mice. He was so upset that he wrote to the British Political Agent in Dubai to ask if in the future his revenues could be printed on poisonous and decay-proof paper. (Field 1975:78)

E. The Marketing of Wealth

Part of the process of integrating the oil-rich Arab countries into the capitalist world system is the "recycling" of petro-dollars back into the West, either directly through investment in property, industrial projects, and securities or indirectly by revitalizing sagging export industries. Saudi Arabian purchases from the U.S. alone are running so high that

according to Saudi estimates, the jobs of 600,000 American factory workers are directly dependent on these sales. As the Saudi development plan picks up momentum the number could grow to 2 million by 1980. (Time, July 18, 1977)

Table III on page 68 indicates the escalatory volume of importation by the Arab oil-rich countries and the accumulation of the so-called "surplus" oil money. The flight of this "surplus" to advanced capitalist countries, especially England and the U.S., has steadily increased.

Statistics for the first six months of 1974 show that \$1 billion on the average are every week invested abroad and estimate that these investments will in 1974 approximate \$45 billion. (MERIP, October 1974:31).

The Bank of England has calculated that Arab public assets in Britain, as of March 31, 1974, totalled 3456 million pounds, and this does not include private assets that have also increased phenomenally. At the same time Western Europe and Japan received \$2 billion by the first half of 1974 (MEED, July 19, 1974). In the U.S. Saudi Arabia has invested 17 billion dollars (10 billion in 1976 alone) in U.S. Treasury Bonds and in American banks (U.S. News and World Report, July 25, 1977). In order to measure extent of the drain of \$45 billion in foreign

investments in 1974 had upon the exporting countries, we must consider the calculation that this sum represents 60 percent of their national income and 41 percent of the total national income of all the Arab countries (AO&G III, September 16, 1974).

F. Banking and Regional Finance¹⁴

The integration of Arab oil money is best illustrated by the rapid growth of Middle East banking. In Beirut, which was one of the key banking centers in the Middle East prior to the outbreak of civil war in 1975, there were 73 banks, 37 of which were foreign-owned or affiliated. The Bank of Credit and Commerce-International was a joint venture of private Middle East investors and the Bank of America; the International Maritime Bank of London opened an office in Beirut to cover the Middle East, and the National Westminster Bank had a similar operation in Bahrain covering the Arabian-Persian Gulf area; Morgan Guaranty purchased an interest in a Beirut bank; Union de Banques Arabes et Françaises, a consortium joining 22 leading Arab banks with the Crédit Lyonnais of Paris, opened branches in Rome, Frankfurt, and London; the Saudi Arabian Monetary Agency, which handles all that country's investments, is advised by White-Weld of New York and it deposits Saudi money in three U.S. Banks (Chase, First National City, and Morgan

¹⁴ A detailed analysis of the composition and operations of Middle Eastern financial institutions can be found in many issues of the Middle East Research and Information Project (MERIP), Washington, D.C. Also Field's book mentioned above is useful.

Guaranty; and Chase is a junior partner in the Saudi Arabian Industrial Finance Corporation (MEED, September 12, 1975).

The growth of regional financial institutions, influencing and directing the economic development of the Arab World in particular and the "Third World" in general, has been a steady process that has accelerated with the rapid accumulation of petro-dollars. In 1973 and 1974 two investment banking consortia, the International Financial Advisers and the Arab Financial Consultants Company, were formed. At the same time an entirely privately owned Kuwaiti concern, the Kuwait International Investment Company, was established. Other institutions, whose names normally appear only when the bond issue has an inter-regional flavor or it is denominated in a Middle Eastern currency, are: The National Bank of Kuwait, The Gulf Bank, The Commercial Bank of Kuwait, Banque Audi (in Beirut), the Al-Mashraq Bank, the Libyan Arab Foreign Bank, The Bank of Bahrain and Kuwait and the Banque Européenne-Arabe consortium. In 1975 the Industrial Bank of Kuwait was established by the Kuwaiti government and other commercial banks to finance industrial companies in Kuwait and companies with Kuwaiti participation in other Arab countries; in the same year the Arab Investment Company, owned by the governments of Saudi Arabia, Kuwait, Abu Dhabi, Bahrain, Qatar, Egypt and Sudan, was established and based in Riyadh. Their main objective has been the development of large industrial projects, such as the currently debated project of building an arms-industrial-complex in Egypt with French assistance (Field 1975).

Long-term, low interest loans are granted by these institutions to augment the capitalist development of the Middle East and the underdeveloped countries. For example the

Abu Dhabi Fund for Arab Economic Development is granting easy-term loans for projects in such non-Arab countries as Malaysia and Sri Lanka and is now considering a loan to Bangladesh. About one-fourth of the budget of the union goes for foreign aid. (CSM, December 13, 1976)

The political use of oil money to enhance the positions of the oil-rich countries in the capitalist world, to alleviate the chronic problems of capitalist growth (unemployment, inflation, and stagnation) and to help advanced capitalist countries oppose socialist progress of the rising tide of national liberation movements throughout the world, represents additional ways in which this wealth is utilized.

G. The Politics of Oil: Aid and Sub-Imperialism¹⁵

The socio-economic integration of the Arabian Peninsula into world capitalism has necessarily been accompanied by a degree of political integration. To insure world-wide capital accumulation, an uninterrupted extraction of surplus value and access to markets and resources, the political integration of the oil-rich states of the Peninsula may be measured by their increasing involvement in regional and world affairs, defending and extending essentially Western interests. This

¹⁵The best collection of articles written about the use of foreign aid programs by the industrialized Western countries to dominate and control underdeveloped nations are found in The Trojan Horse, ed. by Steve Weissman (Palo Alto, 1975).

has been explained by Yamani.

Our oil will be worthless if our customers are weak, and we will have trouble buying what we need if our Western suppliers are in economic or political turmoil" (U.S.N&WR, July 25, 1977).

Foreign aid has classically been a political weapon used to secure and promote all kinds of colonialist and imperialist interests. It adopts different forms and shapes, depending on the historical contact and nature of the involved powers, but the use of "third-country" technique to channel aid and promote political interests has become a common method which is used in today's world by the contending forces of the capitalist camp vis-à-vis the socialist camp. Commenting on this aspect of Saudi Arabia's role in the Third World, a senior U.S. diplomat in Jiddah said, "We have a real asset here. We can sit back and let the Saudis take care of the Soviets in the developing world in their own quiet fashion" (U.S.N&WR, July 25, 1977).

In the same article it is reported that Saudi aid to Islamic and Arab countries has increased from \$220.9 million in 1973 to \$5.7 billion in 1976, with a four year total of \$11 billion. With Saudi encouragement Sudan expelled its Soviet advisers and the kingdom is urging Somalia in the same direction. Explaining the motives behind this policy, a Saudi official said, "Our major rival is not Israel [which has been directly at conflict with the Arabs four times in twenty-nine years]; it is the Soviet Union" (U.S.N&WR, July 25, 1977).

An increasing amount of the economic burden of implementing these Western policies is being gradually passed to the oil-rich states of the Arabian Peninsula. In 1974 foreign aid from Arab oil-rich countries

to non-Arab developing countries represented 6.7 percent of their national incomes, compared to the 0.6 percent of national income since 1971 granted by the industrialized nations to the poorer countries (AO&G III, September 16, 1974). The gradual escalation of arms sales to oil-rich countries, their increasing diplomatic activities in the region, and their rapid and intense economic development and integration into world capitalism, suggests the emergence of new sub-imperialist forces in the region, strong enough to take their own initiatives in defending and extending the interests of world capitalism, of which they are becoming only an organic part.

Formalization of this policy was clearly expressed by Henry Kissinger, former Secretary of State, who wrote:

Political multipolarity makes it impossible to impose an American design. To act consistently abroad we must be able to generate coalitions of shared purposes. Regional groupings supported by the U.S. will have to take over major responsibility for their immediate areas, with the U.S. being concerned more with the overall frame work of order than with the management of every regional enterprise. (MERIP, April 1975:19)

It could have never been put more clearly and concisely. Let us see how this could be applied to Saudi Arabia. First the region should be defined as the Middle East and the coalition is formed by those Arab countries with strong ties with the U.S., especially the Gulf area (which excludes Iraq but includes pro-U.S. Iran). The goal is "stability" and "peace" in the area. The perturbing factors are:

- 1) A rising Arab nationalism and radicalism, e.g., the Palestinian movement;
- 2) The Arab-Israeli conflict;

- 3) The competition for area dominance between Iran and Saudi Arabia.

What is important is to understand the meaning of the words "stability" and "peace." This was best expressed by Crown Prince Fahad of Saudi Arabia when he stressed that,

"It is not in the interest of the free world to have another conflict (Arab-Israeli war). No one but the enemies of the U.S. will benefit by a new war." And he continued later, "The true wish of my country is to have the strongest and most cooperative relations with the U.S. in all fields and all matters."
(Mansfield 1975:6)

This was, of course, reassuring to Senator Mansfield, who quoted His Highness in a Senate report. Peace, therefore, is the peaceful flow of oil and stability is the preservation of the status quo, from which the oil companies, the traditional ruling classes of the area, and the colonial-settler state of Israel all benefit.

Let us focus upon the imperialist role of Saudi Arabia in providing foreign aid to the Third World, since the smaller sheikhdoms provide assistance which is minimal in comparison (Table III). To preserve the status quo Saudi Arabia has accepted specific missions, the first of which is to overthrow or neutralize the nationalist and progressive regime in the People's Democratic Republic of Yemen. Everyone has heard of the Bay of Pigs invasion of Cuba in 1961, but not too many have heard of its Arabian counterpart: The September 1972 attack on South Yemen, where thousands of Saudi troops and right-wing exiles attacked the People's Republic. U.S. support and aid for this invasion was intense, but it was extended covertly through Saudi Arabia.

Secondly, the Saudi regime is obligated to support its fellow northern monarchy, the Kingdom of Jordan, ruled by a conservative monarch installed by British colonialism and in a basic manner dependent upon foreign aid to survive. It has lately been revealed that the King has received direct payments from the CIA and of the Jordanian 1976 budget of about \$800 million, nearly 56 percent constituted "development" loans from the U.S., Saudi Arabia, Kuwait, Iran, West Germany, and England. It is important to note that Jordanian government played a leading role in the attempt to liquidate the Palestinian movement in 1970, a time when thousands of Saudi troops, trained by American advisors, participated in the bloody September massacre of the Palestinian Liberation Movement in Jordan. At the same time the U.S. spoke of military intervention if any other exterior aid should come to the Palestinians.

Saudi Arabia also supported the ultra-conservative government of Oman by granting in June 1975 \$100 million to cover budget deficits resulting from military expenditures in the fight against revolutionary forces (Iran has placed an army in Oman for much the same reason). Much of the economic aid given to Oman from other gulf emirates was used to boost this same military effort.

In addition, when Egypt tilted to the right after it expelled its Soviet advisors, Saudi Arabia increased its aid both before and after this transformation. The total loans and grants given in 1974-1975 to Egypt by Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates was more than \$2.6 billion (JAPS issues in 1975). Surely, assistance moving

Egypt from the advocacy of Arab nationalism toward posing itself as a conservative force directed at utilizing its capabilities in the service of imperialism reveals itself in the latest dispatch of Egyptian pilots to Zaire to help the pro-U.S. regime of Mobutu.

On the European front Yamani, whose country is the largest supplier of oil to France, implicitly threatened to cut off oil flow to France and Italy if either of them elected a communist government. "We want to avoid at any cost the accession to power of leftist parties," Sheikh Yamani told the French magazine Paris Match (CSM, February 1, 1977). Saudi support for pro-Western leaders like Mobutu of Zaire who was shaken by a domestic problem was the most important single factor in the convergence of Arab aid for the support of Zaire. Mobutu was heavily involved on the side of the counterrevolutionary movement in Angola during the civil war there (International Bulletin, July 4, 1977). Saudi Arabia plays the role of the most important force in implementing the U.S. strategy in the Red Sea area. Following a meeting in Jiddah, Sudan and Egypt agreed on the basic principles of what was later called "The Red Sea Pact." It was intended to accomplish the following:

- 1) To secure American dominance on the Red Sea trade routes;
- 2) To contain the revolution in Yemen and Oman;
- 3) To extend American influence on the area in order to limit the Soviet advantages drawn from its relations with Yemen and the government of Somalia. Following the Arab-African summit meeting in Egypt in 1976, Saudi Arabia allocated \$1 billion for African countries, the purpose of

which was to combat the African nationalism in the form of various African liberation movements.

In the Middle East Saudi Arabia favors implementing the American "peaceful" solution. In translation this means that Saudi Arabia was allocated the role of financing the transformation of Syria from what was thought to be a nationalist regime into a reactionary one (i.e., the Syrian invasion of Lebanon and the crushing of the Palestinian forces). In 1974-1975 Saudi, Kuwait, and the United Arab Emirates' loans to Syria reached \$940 million (JAPS, issues in 1975).

H. Summary

In this brief analysis we see how the politics of oil--in the form of sub-imperialist activities by the developing capitalists of the oil-rich states of the Arabian Peninsula--are greased and propelled by the "oil of politics," i.e. petro-dollars granted to developing countries in order to secure and extend capitalist interests. We have examined the socio-economic transformation of the Arabian Peninsula within the context of a capitalistic framework. The impact of oil discoveries and the wealth accrued from them have been the main threads in the fabric of change within newly evolving societies.

We have also seen how this transformative process is directly linked to the process of integrating pre-capitalist societies into the modern capitalist system, assigning these societies' new economic and political roles. These roles are predominantly in harmony and congruence with World capitalist development, serving the needs of both the

local dependent bourgeoisie of world capitalism. Although there are conflicts of interest among ruling classes within the capitalist system, they are usually suppressed when the survival of capitalism in one area of the world or another is brought into question.

V. DEVELOPMENT-UNDERDEVELOPMENT

The question of development-underdevelopment in the Third World can not be understood without situating it within the context of two general and interrelated historical phenomena: The spread of an aggressive and exploitive capitalist system from its strongholds in Europe, North America, and Japan to the rest of the world; and the growth of anti-imperialist and socialist movements challenging and transcending capitalist modes of production. Each of these two historical phenomena contain their own contradictions, which in turn condition and shape their evolution and development.

In today's world capitalist development or underdevelopment differs greatly from socialist development or underdevelopment. Each affects the other because both of them are world systems; the advanced technology of the age has made isolation of nation-states almost an impossibility. But since this is not a paper on the socialist context of development or underdevelopment, I shall restrict myself to a critical evaluation of the meaning of these terms within the context of the capitalist system. The literature on the socialist framework is proliferous and the bibliography at the end refers the reader to at least some of it.¹⁶

World-system perspective arguments advanced on the question of development-underdevelopment in countries of the Third World is that this question, within the context of today's world capitalism, is a

¹⁶On the question of socialist development of a Third World country see E. L. Wheelwright and J. McFarlane, The Chinese Road to Socialism (New York 1970).

function of the following essential factors:

- 1) The socio-economic needs of the metropolitan centers of world capitalism as dictated mainly by their bourgeoisie and the historical conditions of the time;
- 2) The politico-economic importance of the Third World country concerned, in the hierarchy of the capitalist system;
- 3) The nature of the alliance between the local ruling class and its supporters in the center;
- 4) The degree and nature of development of revolutionary anti-imperialist and socialist forces in the Third world country concerned.¹⁷

In addition, the continuous dependence of the peripheries of world capitalism upon metropolitan centers is an essential feature of the relationship connecting the two poles. This dependence has its corollary in the continuous underdevelopment of the periphery. The local ruling class develops an interest in perpetuating this dependence in order to protect and extend its class interests and privileges, in the end derived from its relationship with the center. Thus underdevelopment of peripheral political-economies becomes a policy implemented by the local ruling classes. The growing industrial sector of the bourgeoisie of some parts of the periphery, even when it is occasionally at odds with its powerful allies at the center, still has an entrenched interest in the policy of dependency and continuously defends it.

¹⁷ See A. G. Frank, Lumpen-Bourgeoisie: Lumpen-Development (New York 1972) for an elaborate and concise discussion of the question of development.

The main characteristic of this dependency relationship is the indirect means of control by which the majority of the people in the periphery are exploited (the high rate of surplus value transfer) and their economic development is dominated (by control of markets and resources) and influenced by others. These indirect means, whether social, political, or economic, we shall, for the sake of having a working definition, call neocolonialism, and then we shall move to a discussion of the implications of the framework of the capitalist development of the oil-rich states of the Arabian Peninsula.

A. Oil and the Needs of the Arab World

In order to assess the socio-economic development of the Arabian Peninsula, we should contrast the nature and extent of these developmental schemes in relationship to Arab world's human, material, and social needs. To say the least, these needs are not always compatible with the needs of the multinational-corporate economy, be they expanded market structures or new controls upon raw materials.

The Arab World has been politically fragmented by European colonialism and its local agents, though the Arab people have aspirations for economic and political unity. Their struggle against imperialism in all its forms and the immeasurable sacrifices they have offered to attain unity are testaments to the goals and aspirations of the Arab people. The real social, material, and human needs of people in the Arabian Peninsula in particular, and the Arab world in general, are numerous and basic. For instance, a study by the World Health

Organization indicates that the Arab countries' minimum requirements call for an immediate investment of about \$35 billion. The number of doctors in these countries is 2.7 per 10,000 inhabitants, compared to 15.6 in the U.S. and 17.2 in West Germany. The number of hospital beds is 19.4 per 10,000 inhabitants in the Arab countries, against 142.9 in Sweden. In education the Arab countries' needs are estimated at a minimum of \$25 billion annually. For transport, a recent study puts at \$100 billion the investments required for the construction of a modern road network between the Gulf countries and the Mediterranean. For other sectors (industry, agriculture, tourism, etc.) the requirements are practically unlimited. In addition there is the necessary military expenditure to stave off Zionist expansionism.

The lack of funds to thoroughly study these needs, one which is yet to be conducted, reflects the nature of priorities as defined by the ruling classes of the Arab World. For sure these priorities have not begun to approach the basic social and material needs of the majority of the impoverished Arab masses (AO&G, September 16, 1974). Yet, when desperately needed funds become available as a result of the increase in oil revenues, the Arab sheikhs and sultans transfer them hurriedly to the advanced capitalist countries.

B. Arabian Development Within World Capitalism:

Industrialization, Comparative Advantage, Inflation

Let us examine some aspects of capitalist economic development in the Arabian Peninsula and analyze their relationship to current

tendencies at work in the advanced countries of the capitalist world.

According to the Saudi Five-Year Plan, emphasis has been placed upon the process of industrialization. European and American corporations, like the U.S. Dow and Marcona or the Dutch-German Estel, to mention a few, participate in the construction of multibillion dollar industrial projects, e.g. the construction of industrial cities at Jubail and Yenbo at a cost of \$10 billion each, including massive petrochemical and steel complexes. The context within which this emphasis, apparently with Western blessings, may be understood is explained in an article published in Foreign Affairs, April 1973, written by John Diebold, an American international management consultant and technocratic strategist.

He asserted that the world is moving into a "third stage" of the industrial revolution, and that continued United States dominance of the world economy in the coming era was dependent on understanding and taking advantage of the basic forces at work. One characteristic of this new age, Diebold postulates, is "rapid southward transfer of manufacturing industry," of which he specifically mentions steel and automobile assembly. Diebold is describing a process that to some extent has already come to pass and is well developed in certain industries, like textiles and electronics. What we may be witnessing now is an export of heavy or primary industries to regions where labor is "controlled" by regimes whose most modern sector is the police and armed forces, and where pollution can be imposed. Diebold pointed to North Africa and the Arab World as places where "we can find space,

water and air and can build industries in rural areas without the added cost of pollution control devices." In order to head off "overinvestment in certain industries such as steel," he said, Europe "would insist on overall agreements with the Arab countries, by industrial sector, to set up timetables and agreements on the lines and limits of development."

In its survey of iron and steel plants in the area Middle East Economic Digest wrote that the industry in the West

. . . has to pay greater attention to avoiding pollution, and it would also like to cut its labor costs and have better security against work stoppages. All these factors point to some kind of "farming out" of the early, costly stages of iron and steel production. (MEED, September 27, 1975)

Business Week cites the specific case of the decision by the Dutch-German combine, Estel, to scrap plans for a huge integrated steelworks near Rotterdam due to "the combination of environmental objections, rising labour and transportation costs and uncertainties about raw materials" (BW, September 8, 1975). Estel is now in the above-mentioned Marcona-led project planned for Saudi Arabia.

As with the steel industry the movement of petro-chemical plant investment abroad will be done in such a way that mainly the early stages of production will be carried out in the developing countries.

There is a good deal of evidence which shows that the multinational corporations are precisely interested in furthering the internationalization of capital and the division of the globe into new specialized areas for industrial production. While this would definitely effect significant structural changes in the economies and societies of the

countries in the Middle East and elsewhere in the Third World, they will, if things go as planned, not result in any significant shift in world power. Will the Third World accept this permanent station? According to Farouk Akhdar, a recent American university graduate who toured this country as Director of Technical Affairs of Saudi Arabia's Central Planning Organization,

Saudi industrialization is not going to crowd the market or take jobs away from Western industrial workers. It will challenge the industrial nations to develop more specialized industries, but this is the natural result of the classical principle of comparative advantage
(JC, September 12, 1974)

Other countries clearly have different ideas. The character of their industrial development depends largely on the political and class character of these countries and their regimes.

As a result of this critical look at what is being said and done about industrialization and development in the Middle East in general and Saudi Arabia in particular, one may pose the following questions: Will oil revenues be translated into productive investments? If the transfer of money wealth in the form of foreign exchange can be translated into a transfer of real productive resources, can those transferred resources provide the basis for real economic growth not dominated by the international corporations and not tied to the crisis/recession character of the global corporate economy? Does the increase in revenues to the oil producing countries in the Middle East provide the opportunity for altering the pattern of neocolonialist exploitation that has characterized the region's relationship to the West? Are we witnessing an alteration in the form rather than in the substance of the

links of dependency and domination that have characterized the Middle Eastern countries in the modern era? What are the specific political and economic reasons for the current emphasis on industrialization as the key component in the process of economic development?

One of the effects of capitalist economic development of the states of Arabia has been the large-scale importation of a chronic capitalist ailment--inflation. The people most negatively affected by this phenomenon are the ordinary and average working people whose income, according to the statistician-economists's "per-capita-income" distribution, is usually higher than the real skewed income distribution. According to a UPI story:

the citizens of oil-rich Kuwait have the highest per capita income in the world, but soaring prices have driven most to juggle two or even three jobs at a time. One government electrician interviewed by a local newspaper works a full day at his civil service job, moonlights as a handyman in several apartment houses, and uses his car as a "private taxi." He makes a total of \$865 a month, but inflation of more than 150% in 3 years has wiped out his gain. Rent on a two-bedroom apartment for his wife and four children has reached \$350 a month. Beef costs \$6 a pound, milk almost \$1 a quart. (CSM, January 10, 1977)

In Saudi Arabia rent has gone up 600 percent in 18 months. A house in Jiddah rents for \$2,200 a month, while market prices are rising at about 40 percent a year (Time, July 18, 1977).

Although the implementation of the Five-Year Plan (1975-1980) is not complete, the government and its contractors already face great difficulties. According to Thomas Lipmann, in an article in The Oregonian:

In the past three years soaring oil revenues have outstripped the absorption capacity of a backward thinly populated country with an unsophisticated economic structure and an

acute shortage of skilled manpower. The result was a spectacular inflation that affected not only individual consumers but the government itself, which was finding major projects in its five-year \$142 billion development program costing far more than anticipated . . . There is strong feeling among Saudi officials that a major reason for the inflation that was forcing up the cost of their industrialization and development programs, was overcharging on the part of contractors who were taking advantage of the Saudi's wealth, their eagerness to build and their shortage of sophisticated manpower. (Oregonian, February 16, 1977)

C. Investment

We have already seen the extent of the recycling of oil money and the escalating profits of the oil industry. One main aspect of the "recycling" process is their investment in Western financial houses, development projects and property. Orthodox economics have defined foreign investment according to the following scheme envisaged by Cairnes in the 1870's.

- Stage One: The Immature Debtor Stage; a country is borrowing with a net import trade balance.
- Stage Two: The Mature Debt Stage; debt servicing and repayment exceeds borrowing; net export trade balance.
- Stage Three: The Immature Creditor Stage; new lending with an export trade balance.
- Stage Four: The Mature Creditor Stage; receipts of debt servicing and repayment exceed new lending, import trade balance.

(Gordon, University of Houston Business Review, Fall 1962:20)

Cairnes and others built this process of capital transfer upon the basis that international trade did not involve any competition between

labour and capital factors between different nations. He differentiated between internal exchange (within national boundaries and involving competition between factors of production) and external exchange, where the prices of commodities set the wages of the labour force in export sectors and not vice versa (Emmanuel 1977).

This interpretation underestimated the political factors involved in the process of international capitalist trade. Otherwise how can one explain that most of the Third World countries have not departed "Stage One?" Furthermore, it did not explain the nature of debt, interest, and capital.

Of course theoretical writings in this area becomes involved with the question of the fundamental nature of capital and interest--a question that has plagued economics since the subject first came to be halfway understood. (Gordon, UHBR, Fall 1962:21)

In order to understand the nature of the flight of Arab oil money in Western capitols we have to understand what we mean by capital.

Harry Magdoff provides a useful and brief working definition.

There are three aspects of capital and we should always keep in mind the differences between these aspects:

- 1) Capital is a social relationship--it represents relations among divergent classes in society.
- 2) The material component of capital--equipment, tools, machinery--may be used differently in one set of social relations or another.
- 3) Capital in today's world is clothed in the form of money.

In a capitalist social system the material components of capital are owned by a small minority in the community. What kind of material components are used, what products are made from these components and for whom these products are made are all decided by the owners of capital (Magdoff, MR, January 1976). With this in mind we may see why Arab

investment does not follow Cairne's scheme. The factors of colonial and neocolonial domination of the Arab World, in addition to ruling class efforts to secure and expand their interests, have played important roles in the quantity and direction of Arab foreign investments abroad. For instance in the 1950's and 1960's the Arabian-Persian Gulf countries were encouraged by the workings of the "Sterling Area" to bank their unspent revenues in Britain as "Sterling balances," thus bolstering the faltering British imperialist financial system with added deposits. In the 1960's Kuwait alone could have bankrupted Britain by pulling out its public and private deposits (Halliday 1974). Due to the civil war in Lebanon investors from Kuwait, Abu Dhabi and Dubai poured their oil money into the U.S. and Britain, at the same time expressing fears of similar incidences in their states, due to the presence of Palestinians there (CSM, July 19, 1977).

There is an important point which has escaped Arab investors and governments, namely that they are neither banks nor joint stock companies seeking to inflate their profits and bank accounts, but they are primarily governments responsible for the present and future of their people.

D. Labour and Technology

The economic development of the Arabian Peninsula has one main characteristic as far as technology and labour are concerned: both are imported, in great quantities. Although we discussed above the extent and nature of the importing activities of manufactured goods and

services, one aspect of this imported technology has not been examined. Barnet and Müller, in their voluminous work Global Reach: The Power of the Multinational Corporations, clearly showed that the monopolization of wealth-creating and marketing knowledge has been used as a weapon to advance the interests of these multinationals and their nation-states and to control the economies of the underdeveloped countries.

In the last hundred years the superiority of the advanced nations in industrial and marketing technology has become crucial in preserving the dependent role of the underdeveloped world. (Barnet and Müller 1974:136)

Oil production is a highly capital-intensive process with a greatly advanced technology. Although the oil companies have been in the Peninsula for almost fifty years, no viable technological institutions have been created in the area. Even today the scientifically oriented University of Petroleum and Minerals in Saudi Arabia has many engineering departments, but not one in petroleum engineering. The faculty is more than 60 percent foreign, mainly Americans, and its board of directors is dominated by American Ivy League universities and institutions with strong affiliations with the oil monopolies. As a result the Arabian Peninsula remains completely dependent upon Western "know-how" for the production of its main source of income.

The problem of needing a skilled work force, while fearing the emergence of an industrial proletariat, has not yet been dealt with in most of the Peninsula. For example, the need for "guest workers" in Saudi Arabia raises very sticky political problems for the regime, but the problems that come with the emergence of a domestic working class

are even more intractable. The government is planning in the next few years to import a half million more foreign workers from places like India, Korea, Bangladesh, Pakistan, and Taiwan, although there are 1.5 million "guest workers" in the country today. About 30,000 of these are Americans and their number is expected to reach 50,000 by the end of next year (U.S.N&WR, July 25, 1977).

Not inviting many Arab workers from other Arab countries to work in Saudi Arabia is not surprising because in Iraq, Libya, Kuwait and other Arab states, Arab workers in the oil industry have caused serious political problems at various times, problems which have been at least temporarily alleviated by increasing economic rewards to workers and by increased repression of dissidents and trade union activists. The Saudi regime has largely survived due to the degree of isolation and ignorance they could impose on the population, a task made infinitely more difficult by intense capitalist development of the economy.

In Kuwait immigrant workers officially outnumbered Kuwaitis by 387,000 to 346,000 in the 1970 census; this disproportion continues to increase. In Bahrain the 1970 census showed nearly 20 percent of the population to be non-Bahrainis and in Qatar, Dubai and Abu Dhabi the population rose so rapidly in the late 1960's that the numbers of immigrants were almost impossible to calculate, in the latter two possibly amounting to 75 percent of the population. All these states grant exclusive privileges to their own nationals and practice maltreatment and arbitrary expulsion upon the migrant workers (Halliday 1974).

One characteristic of immigrant and "guest" workers is their

tendency to return home periodically, remitting not a small share of their income to their families. This creates both an unstable labour force and a drain on the economy. In addition the multiplicity of different ethnic groups is bound to create social and cultural problems. With the absence of trade union traditions in the Peninsula the labour force as a whole will be vulnerable to greater controls exercised by local governments.

E. Summary

The question of development-underdevelopment is organically linked to the historical phenomena of global capitalist expansionism and, in response to it, the development of a world-wide socialist and anti-imperialist movement. The capitalist system created its own world at the bottom of which lies most of the underdeveloped countries and at the top of which stand Western Europe, North America and Japan. The underdeveloped Third World is consequently governed principally by the historical conditions and stage of development of world capitalism as a whole.

The real social, human and material needs are immense. Oil riches may satisfy some of these needs, but they are not properly channelled for that purpose. In this sense human needs also confront the chronic problem of capitalism--inflation--exported on a large scale to Third World countries linked to the system of world capitalism.

Industrialization of the Arabian Peninsula must be examined within the context of a dynamic and changing world capitalism. The possibilities of shifting class alliances, a new world division of labour, and

greater differentiation in specialized production are only a few options facing the countries of the world. The process of foreign investment at present operates within a politico-economic framework, which to a great extent dictates the direction and quantity of investment abroad.

Both labour and technology are imported by the Arabian Peninsula under these conditions, and technology is completely monopolized by multinational monopolies, thus making the Arabian states continuously dependent upon the West. In turn Arab governments completely control their labour force, ethnically divided and unstable due to an increasing number of "guest workers."

VI. SUMMARY AND CONCLUSION

The history of the Arab World is distinguished by its commercial character because of its location as a strategic crossroads joining different world civilizations. Excluding Egypt, which had (and still has) a strong peasant character, the rest of the Arab World was dominated by its commercial and nomadic population sectors, most prominently situated in the Arab East. In the vast stretch of land of the Arabian Peninsula a tribal society, exercising a great deal of ideological, cultural and psychological influence upon the inhabitants of the area, based its existence on subsistence economy in the nomadic north and scattered agrarian settlements in interior oases and the fertile lands of the south. Islam emerged from the desert of Arabia, spreading therefrom to the rest of the world.

The integration of the Arab World into an international capitalist system has been a gradual process, taking various forms dependent upon the nature and stages of capitalist development in the center (the Western World) and the socio-economic structures of different parts of the Arab World.

A by-product of British colonialism in the Arab East was the creation of the Zionist colonial-settler State of Israel. Its existence as a new factor in the region intensified and accelerated both class and national struggles. Israel became both a resourceful and dependable friend of Western imperialism and a major disturbing factor of what could otherwise be a stable area from which world capitalism would

draw larger benefits.

The struggle of the Arab people against foreign domination, whether in its Zionist, colonialist, or neocolonialist forms, has been at the same time the history of resistance against integration into the world capitalist system.

Integration into capitalism signifies the socio-economic reorientation of a given society, in order to satisfy the needs of capitalist markets in accordance with the rules of regulations of free enterprise. This entails a break in the natural history of the integrated society and the imposition upon it of a new reality. As capitalism grows and globally extends itself, its history becomes world history, just as its mode of production dominates its ever increasing areas of influence.

In the aftermath of the Second World War international capitalism has undergone major changes. The new conditions that were created due to the results of the War and the opening up of new opportunities for capitalist development in some parts of the colonial world, were some of the important factors that have caused such changes.

Direct controls of the colonies with all the official responsibilities that such controls demand from the colonizers has given way to indirect methods. Local ruling elites and classes were given more initiative and formal sovereignty. On the economic level some underdeveloped countries like Brazil, South Korea, Taiwan and others have developed a combination of capitalist agriculture and some manufacturing industries creating what is called "export platforms" for multinational corporations. In addition, the penetration of these countries by

foreign capital through "aid" and investment has increased.

The division of the capitalist world today is based upon a nation-state system that has increasingly expanded. A glance at United Nations membership history should prove the point.

The local bourgeoisies and economic officials of the old colonial world were given both interests and status to participate in and protect the system as a whole. But in the hierarchy of world capitalism these sectors play a subordinate role and are allowed mainly minor opportunities to improve their position in the system, at least insofar as this effort does not interfere with the interests of the major capitalist centers or jeopardize the survival of the system as a whole. The history of the OPEC cartel is a reflection of Third World economic nationalism within world capitalism's rules and regulations.

On the military level direct intervention of imperialist powers to protect and expand their colonial interests was replaced by indirect means to secure the same objectives. The "Vietnamization" policy of the United States in Indochina is one illustration of such a trend. Local armies supplied and trained by imperialist powers were created to act as local gendarmes guarding imperialist interests. Important and strategic bases were retained in different parts of the world, while direct intervention was kept as a last resort if local armies failed to accomplish their tasks (e.g. the Dominican Republic, Lebanon in 1958, the Bay of Pigs in Cuba).

These changes have not necessarily reduced the strength of capitalism as a world system. True, the degree of interdependence has increased

among world bourgeoisies but advanced capitalist countries have always successfully extracted immense profits from any capitalist development in the underdeveloped countries. Expansion of export markets, domination of key financial and manufacturing sectors and acquisition of more raw materials from these neo-colonies have become permanent characteristics of the unholy contract joining the periphery of world capitalism to its center.

In the Arabian Peninsula, where capitalist development is presently taking place, pro-Western regimes were forced to develop a growing working class whose challenge to their rule is also increasing. The rulers' efforts to stifle the political consciousness of this nascent working class by extreme oppression and emphasis upon ethnic divisions could only lead in the long run to explosive political conditions. But a true democratic system would again jeopardize the powers of the local ruling classes and their senior imperialist partners. This situation makes their future in the area uncertain and rather bleak.

But to be sure imperialists will continue to exercise their influence in the Arabian Peninsula, indirectly or directly if necessary, in order to preserve oppressive local regimes; at least they will until the peoples of this area rise to assert their freedom from a world capitalist system which exploits their labour and resources and finds it convenient and necessary to suppress the autonomy of ages-old cultures.

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