Migrant Labour, Class Formation and the Geographical Displacement of Crisis: A Case Study of the Gulf Cooperation Council

By Adam Hanieh

1. Introduction
A typical characteristic of both mainstream and radical analysis of the current crisis has been the tendency to focus on events in the advanced capitalist economies of North America and Europe. We have detailed and insightful commentary on the succession of US financial failures, the various ‘stimulus’ policies advanced by the Federal Reserve and US Treasury, and the state of manufacturing output and unemployment levels across the leading economies. Two years into the crisis – if we date its beginnings from late 2007 – the key debates remain focused on the evidence of ‘green shoots’ in the US and Europe, and the questionable success of Obama’s economic policies.

This restrictive geographical scale of much political economic analysis is deeply problematic. A key feature of capitalism since the post-war period has been the ongoing internationalization of all moments of the circuits of capital. Internationalization means that capitalism has developed through the formation of a hierarchical world market shaped by the flows of value between different geographical spaces. This hierarchical structure is not just one more ‘element’ to our methodology but is constitutive of how crisis has developed over the recent past. It must be central to the ways in which we try to understand crisis, the way it has evolved and the manner in which it will be resolved.

This paper is a modest contribution to redressing this geographical narrowness by focusing on one particular example of the way that global hierarchies have formed over the past few decades: the essential role of labour migration flows within the world market. Many countries in the South have been integrated into the world market as sources of cheap, migrant labour. This is not a new phenomenon but it has become particularly important to the way that class has developed in both the advanced capitalist economies as well as in the South. An understanding of these patterns of class formation allows us to interpret the nature of this current crisis and its possible effects as it unfolds. In particular, this paper argues that one of the key consequences of the structural dependence on migrant labour flows is that the resolution of crisis occurs partly through its geographical and spatial displacement.¹

The argument of this paper is focused on the states of the Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Qatar and Oman). These six states possess perhaps the most extreme illustration of labour migration flows in the whole of the global economy (with the possible exception of coastal China). In all of these states the vast majority of the working population are temporary, migrant workers with no citizenship rights. These workers perform virtually all of the productive labour in the Gulf economies in addition to service, clerical, retail and domestic work. Neighbouring countries such as Pakistan, India, Bangladesh, Sri Lanka are almost fully dependent on the labour markets of the Gulf for their overseas workforce.

Most academic analysis of these workers tends to be sociological in approach –

¹ I borrow these concepts from the work of David Harvey who has done much to excavate the geographical and spatial themes of Marxist political economy. See Harvey (1999; 2001).
focusing either on the extreme deprivation and exploitation to which workers are subject in the host economies, or the impact of remittance flows on community, village and other social structures in the source countries. This literature contains a wide range of extremely useful and perceptive analysis, and I draw upon it where appropriate below. But the aim of this paper is not to present a comprehensive analysis of these workers or their conditions. Rather, it is to suggest how a focus on the spatial nature of class structure and class formation can help us better approach the political economy of crisis. In short, an understanding of the geography of migrant labour can illuminate the form taken by capitalist crisis.

The first section of this paper explains the development of class structure in the Gulf by locating the region within the key tendencies driving advanced capitalism in the post-war era. From the outset, flows of migrant labour have been embedded as a constitutive element of Gulf capitalism precisely because of the region’s location in the world market. Following an examination of the region’s structural reliance on migrant labour and the implications of this for surrounding countries, the paper then explores the current global crisis and its impact on the Gulf from the perspective of this class structure. It is argued that while Gulf capitalism may face pressure and strain due to the crisis – the real impact will be felt in surrounding regions.

2. Advanced Capitalism and the Gulf Region

It is beyond the scope of this paper to adequately cover the historical evolution of the Gulf states and the twists and turns that accompanied the region’s independence from British colonialism in the post-war period. The argument that I want to make here is at a more abstract level. How can we understand the nature of class structure in the Gulf – in particular, its marked reliance on non-citizen, migrant labour? The answer to this question must ultimately be sought in the region’s location in the hierarchies of the world market. The Gulf has developed alongside and within the making of the post-war capitalist order and the tendencies of advanced capitalism have structured the nature of class in the region. There are three key features of capitalism that can be highlighted as central to this development process.

The first is the tendency of capitalism towards the continuing expansion of the scale and scope of commodity production. Since the Second World War, the number and variety of commodities in both the machinery and consumer goods sectors has tended to undergo frequent qualitative leaps as new goods are developed, productive capacity increased, and phases of technological innovation generalised throughout industry. This expansion of commodity production is not just reflected through the increasing quantity of goods, but also occurs through the transformation of sectors that were previously supplied by naturally occurring materials and have now become manufactured commodities. Vast new fields of production have opened up based upon this commodification of natural materials through human-made technologies, including the production of plastics, nylon, artificial fertilizers and other synthetic materials.

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2 A range of books cover the history and politics of individual Gulf states: for Kuwait and Qatar see Crystal (1995); Saudi Arabia, see Chaudry (1997), Vassiliev (1998), Champion (2003), Niblock (2006), and Vitalis (2006); UAE, see Said Zahlan (1998). The absence of a recent radical political economic analysis of the Gulf is a marked feature of literature.

3 Marx 1990, pp.784-85.
As both the scale and scope of production increases globally, there is an accelerating demand for the basic inputs of production – energy and raw materials – described by Marx as ‘circulating constant capital’. Oil and gas are the key elements of this circulating constant capital because, in addition to their role as an energy source, they formed the basic feedstocks for the emerging petrochemical industry in the post-war era. This has had key implications for the Gulf region – while some of the growing post-war demand for oil and gas was initially supplied by increased production in North America and Europe, it was the expansion of production in the Gulf that became central to underpinning world consumption. By 1969 the Middle East had surpassed North America and Europe as the world’s major oil provider, a position that was cemented throughout the 1970s.

The second key tendency of the global economy important to the Gulf region has been the increasing weight of financialization. This underpins a further aspect to the integration of the Gulf region into the global circuits of accumulation. The Gulf’s position as a major supplier of oil – particularly following the price rises of the 1970s – led to significant capital flows into the region. While some of these flows entered the productive and commodity circuits of the Gulf, a large proportion was re-directed back to the financial circuits of the advanced capitalist core. These flows, or petrodollars, were a central feature of the wave of the internationalisation of global finance that occurred during the 1970s. Gulf funds were particularly important to the development of the Eurodollar market – a critical institutional component to the initial phase of neoliberal restructuring in the advanced capitalist world. With the onset of the global economic crisis the Gulf’s role in financialization has been vital to propping up teetering US and

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4 The development of this industry began in the 1930s, when a rapid proliferation of synthetic commodities such as plastics, synthetic fibers and detergents, replaced materials such as natural rubber, cotton and soaps. The period 1930-1960 saw the development and commercial production of polyurethane, polystyrene, nylon, Polyethylene Terephthalate (PET), polyester, polypropylene, Styrofoam, DDT, detergents, and so forth. A parallel and related development was the introduction and widespread use of inorganic fertilizers and pesticides in place of natural agricultural methods. Up until the end of the Second World War the most advanced manufacturing of these products occurred in Germany. The German chemical industry used coal derivatives sourced from domestically occurring resources as the raw material for these products. Key chemical building blocks such as ethylene and benzene were produced from coke ovens and these German products dominated the world market. At the end of the war, the center of gravity of the world chemical industry shifted towards the US under the domination of large chemical companies such as Dow, Union Carbide, and Standard Oil. These companies benefited from the technological advances made by the German chemical industry and, like their German counterparts, were intimately linked to the military industry. A key feature of the post-war industry that distinguished US companies from their German competitors, however, was the use of petroleum and natural gas, rather than coal, as the feedstock used in the manufacture of synthetic commodities. This shift was made possible by technological developments in petroleum cracking that enabled the utilisation of more reactive hydrocarbons and significantly cheapened the cost of production. Indeed, the nomenclature ‘petrochemical industry’, which began to be commonly used in the late 1930s and early 1940s, signified the shift in feedstocks facilitated by this new technology (see Spitz 1988; Chapman 1991; and Giannetti & Romei 2007 for detailed histories).

5 Oil concessions in the Gulf region had been granted to various US, British and French companies from 1923 onwards, but it was not until 1931 that the first oil was discovered in Bahrain. Full-scale production begun immediately after the war in Saudi Arabia, Kuwait, Qatar and Bahrain, and by the early 1960s in the UAE and Oman.

6 See Wilson 1983; 1987 for some of the early history of banking in the Gulf.

7 See Sherbiny 1985 and Gibson 1989 for a discussion of the formation of Euromarkets and the role of petrodollars in the development of US financial power.
UK banks – over US$20 billion flowed from the region into US and UK banks between March 2007 and April 2008.\(^8\) Some of the world’s largest firms – Credit Suisse, Barclays Bank, Daimler AG, Citigroup and many others – now count Gulf investors as their largest shareholders. Ownership of the London Stock Exchange, the third largest in the world, is controlled by capital from the UAE and Qatar.\(^9\)

The third and final feature of the global economy pertinent to the process of class formation in the Gulf region is the specific role of the US as the dominant state within the world market. As Leo Panitch and Sam Gindin have particularly emphasized, the US has led and directed the internationalisation and financialization of capitalism as the state that “bore the burden – and had the accompanying capacity and autonomy – to take on the task of managing the system as a whole”.\(^10\) This is not to imply that there are no rivalries or competition between the US and other states and regions, but rather to acknowledge the very specific role of the US in shaping the hierarchies of the world market over the last few decades.

The dominance of US power is intimately connected to the making of the Gulf region in ways too numerous to adequately explain here beyond a cursory summary. Beyond the significance of the control of oil supplies, surplus capital flows from the Gulf have been a critical element of US global hegemony. These flows were key to the dominance of the US dollar in the post-1971 period.\(^11\) More recently, the 1999-2008 oil price rise precipitated a new flow of petrodollars from the Gulf, which acted as a major prop to US financial power. More than any other oil exporting country or region, Gulf financial flows helped the US sustain its current account deficit through the early 2000s. Indeed, in 2006 alone, GCC capital flows were equivalent to about 25 per cent of the US current account deficit.\(^12\) The Institute of International Finance estimates that equities, debt and other US-based assets accounted for around 57 per cent of total foreign purchases by investors from the Gulf region from 2002-2006.\(^13\)

These three features of contemporary capitalism – unbridled accumulation, financialization, and the dominance of the US state – are materialized in the making of the Gulf region as a key node within the world market. Class formation has been structured by these tendencies as the development of Gulf capitalism occurred alongside – and as part of – the region’s ascension as a core zone within the global economy. Most significantly, the Gulf capitalist class was integrated (as a junior partner) into the regional construction of US power. This is not meant to imply that there are no separate interests or rivalries between Gulf capitalism and foreign capital. Rather, the formation of the Gulf region...

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\(^8\) [http://www.swfinstitute.org/research/subprimereport.php](http://www.swfinstitute.org/research/subprimereport.php)

\(^9\) For Credit Suisse, the two largest shareholders are Qatar Investment Authority and the Saudi Olayan Group (10% and 7%). Barclay’s Bank is one-third owned by investors from the Gulf (October 2008). The largest stakes in the London Stock Exchange Group – equivalent to nearly 50% - are owned by Gulf investors (Borse Dubai and Qatar Investment Authority). With Daimler AG, the world’s largest truck maker, the two largest shareholders (holding 17%) are from the Gulf (Aabar Investments and the Kuwait Investment Authority).

\(^10\) Panitch and Gindin 2005: 54-5.


\(^12\) The Institute of International Finance 2007, p. 9.

\(^13\) The Institute of International Finance 2007, p. 10. See also Setser & Ziemba 2006; Lubin 2007; and Tolui 2007 for various calculations of petrodollar flows.
capitalist class was subordinate to – and integrated with – the extension of US power at the regional scale.

Most significantly for the purposes of this paper, the centrality of the Gulf to the making of global capitalism and US power also explains the weight of migrant labour in the region. The working classes of the Gulf (and, by extension, the broader Middle East region) present a significant potential threat to capital accumulation at a global scale. Any attempt by labour within the Gulf to wrest control of the value it produces – or the rent it captures – would profoundly impact the stability of capitalism at a global scale (and the position of domestic Gulf capital as a layer that has adhered onto global power structures). Global capitalism would not survive a repeat of the Venezuela experience within the Gulf.

For this reason, class formation in the Gulf has evolved in such a manner that it protects both the interests of a tiny layer of Gulf capitalism (based on the broader social layer of citizenry in the Gulf) and the global hierarchies that it has been so central in constituting. It has done this through reliance upon temporary, migrant workers with no citizenship rights. This is a deliberate strategy, and has evolved historically and in different ways throughout the Gulf. It means that the potential threat presented by labour to regime stability is remote. The possibility of sustained social movements based on the working class, or the growth of genuine left culture that can organize for radical change, is extremely difficult in such a situation. There is no working class continuity and – with no possibility of gaining citizenship – most migrant workers are simply there to earn remittances for their families back home. As we shall see below in examining the Gulf’s response to the global financial crisis, labour in the Gulf can be simply threatened with deportation at the slightest evidence of discontent or crisis.

Initially this system depended upon Arab labour such as Palestinian, Lebanese, Egyptian and Yemeni workers.\(^\text{14}\) During the 1970s and 1980s, however, many of these workers became sympathetic with Arab nationalist, leftist and Nasserist movements and began to challenge the regimes and their perceived ties with US imperialism. In response, the system of control was consolidated during the 1990s by shifting migrant labour flows away from Arab countries towards the Indian sub-continent. Consequently, the political cleavages in the Gulf countries have come from inter-elite discord (such as between different branches of the ruling family, the conflict between religious Ulama and the monarchy) or Islamist movements based upon the petit-bourgeoisie. We can contrast this to the situation of oil-rich neighbouring countries such as Iraq and Iran, where domestic labour dominates production and has a long history of struggle to control their country’s oil resources. These differences in class structure explain the conscious attempts by the US and others (notably the Gulf regimes) to atomize and fracture both these potential regional rivals.

Table 1 demonstrates the remarkable extent to which Gulf states depend on this labour. The migrant population ranges from 24 percent (Oman) to 78 percent (Qatar) of the entire population, a proportion that has generally increased over the last decade. Most of these migrants are young males (ranging between 70 to 80 percent), although female

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\(^{14}\) Behind this broad statement is a largely obscured history of class struggles in the early Gulf oil industry. To my knowledge, the outstanding work of Robert Vitalis (2006) on the racism and Jim Crow-style segregation in the US-owned Arab American Oil Company (ARAMCO) in Saudi Arabia is the only existing literature on this history. It is essential reading for anyone attempting to understand how the Gulf states formed.
migrant labour is heavily concentrated in some sectors such as domestic work and the service sector. Within the labour force, the migrant proportion is even more highly concentrated than the general population, making up 50 percent of the Saudi labour force to 91 percent of the UAE. Furthermore, this labour is heavily biased towards the private sector. In both the UAE and Saudi Arabia, migrant workers constitute close to 100 percent of the private sector workforce.\footnote{It should be noted that these figures likely underestimate the number of temporary migrant workers throughout the GCC. If the numbers of workers who are living and working illegally are included, this figure would rise considerably. Saudi Arabia, for example, deports around 700,000 ‘illegal’ workers on an annual basis, more than 10% of the total number officially recorded as present in the country (Shah 2006: 6). In 2003, around 100,000 non-status workers left the UAE voluntarily as part of one of the regular amnesty programs offered by the government (Shah 2006: 6).}

### Table 1: Migrant Population in the GCC.

<table>
<thead>
<tr>
<th>Country</th>
<th>Migrant Worker Population</th>
<th>Migrant Worker Population as % of Total Population</th>
<th>Proportion of Migrant Worker Population Female</th>
<th>Migrant Workers as % of Total Labour Force 2005</th>
<th>Migrant Workers as % of Public Sector Workforce 2001</th>
<th>Migrant Workers as % of Private Sector Workforce various</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>6,360,730</td>
<td>24.7</td>
<td>25.9</td>
<td>30.1</td>
<td>50.2</td>
<td>11.2</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1,668,991</td>
<td>58.7</td>
<td>62.1</td>
<td>31.0</td>
<td>80.3</td>
<td>24</td>
</tr>
<tr>
<td>UAE</td>
<td>3,211,749</td>
<td>70.5</td>
<td>71.4</td>
<td>27.8</td>
<td>91.3%</td>
<td>55.5%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>295,461</td>
<td>37.5</td>
<td>40.7</td>
<td>30.9</td>
<td>58.8%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Qatar</td>
<td>636,751</td>
<td>77.2</td>
<td>78.3</td>
<td>25.8</td>
<td>85.9%</td>
<td>33.9%</td>
</tr>
<tr>
<td>Oman</td>
<td>627,571</td>
<td>26.3</td>
<td>24.4</td>
<td>20.9</td>
<td>79%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>


These labour flows differ significantly from the permanent or settler migration that typifies the advanced capitalist countries. Workers are generally brought to the country under a visa issued by a sponsor (\textit{kafeel}) and obtained through private recruitment agencies in their home country that charge large fees. These fees can take several years to pay off and workers frequently complain that they are paid less than what was initially offered to them or that extra fees are deducted from their salaries.\footnote{A Human Rights Watch investigation into the Dubai construction industry interviewed a number of construction workers and found that they “paid fees in a range of $2,000-$3,000 to local recruitment agencies in their home countries to obtain employment sponsorship in the UAE... [They] enter into employment contracts for a period of one to three years, subject to renewal, at a monthly wage ranging from $106 to $250; on average a migrant construction worker earns $175 a month (the average per capita income in the UAE is $2,106 a month)” (HRW 2006: 24).} The visa is for a limited duration (usually a few years) but can be renewed by paying a further fee.\footnote{A large number of fake companies have sprung up in the GCC to sell work permits for which there are no actual jobs attached. Migrants are then forced to find illegal work in precarious conditions. In 2004, it was estimated that 27% of the total workforce of the UAE were sponsored through these companies. The Saudi Ministry of Labour has said that 70% of the visas issued by the Ministry are sold on the black market (Shah 8).} Most
importantly, these workers have very few political or civil rights in the GCC. They are brought to the country as a cheap labour force with no possibility of gaining permanent residency or citizenship.

As noted above, there has been a dramatic shift in the geographical origins of these workers over the last two decades. Up until the early 1990s, most of the GCC migrant workforce consisted of Arabs from other countries in the region (largely Egyptian, Yemeni and Palestinian workers). Following political realignments in the region during the 1990s, many of these workers lost their employment and the source of labour shifted towards Asia.\(^ {18}\) It is estimated that around 2 million Arab workers and their dependents lost employment in the GCC at this time (Fergany 2001: 4). By 2002, the Arab proportion of migrant workers in the GCC had fallen to 25-29 percent, compared with 72 percent in 1975 (Kapiszewski, 2004: 123).\(^ {19}\)

Consequently, most of the migrant workforce in the GCC is now of South Asian origin. In turn, the GCC constitutes the major global zone of employment for many countries in Asia. A brief survey of some of the key labour supplying regions indicates the essential role played by the Gulf as a zone for regional migrant labour flows:

**Bangladesh**
The GCC states are the core zone of Bangladesh’s overseas workforce. In the mid-1990s, around 60-70% of Bangladeshi overseas workers could be found in the Gulf. By 2002, this proportion had risen to a remarkable 95%.\(^ {20}\) Up until recently, most of these workers were located in Saudi Arabia, followed by the UAE and Kuwait. Unsurprisingly, total remittance flows to Bangladesh correlate very closely to the employment of workers in the Gulf – reaching a peak of over US$9 billion in 2008. Most of these workers are employed in unskilled and semi-skilled work in areas such as construction, agriculture and cleaning. Many of these jobs are dangerous: from January 2004 – August 2008, 6,547 Bangladeshis died on the job while overseas.\(^ {21}\)

**Sri Lanka**
Sri Lanka is a country that relies heavily on remittance flows – around 7.8% of GDP in 2007.\(^ {22}\) From 2003-2007, 83-86% of all Sri Lankans departing overseas for work each year went to the GCC countries. It is a highly feminized workforce. In 2007, 62% of all

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\(^ {18}\) There is no space to discuss the reasons for these shifts in detail; however, it should be noted that they go beyond the superficial explanation of the support shown by the PLO towards Iraq in the first Gulf War. Arab migrant workers were central to a number of the anti-monarchical movements in the Gulf (e.g. the Popular Front for the Liberation of the Occupied Arab Gulf) and led many of the oil strikes during the 1970s. See Kapiszewski 2001; 2004.

\(^ {19}\) This shift should not be interpreted as diminishing the importance of the Gulf region for Arab workers. Many Egyptian, Lebanese, Yemeni and Jordanian families are still reliant upon remittance flows from the Gulf region. It is estimated, for example, that 30% of Lebanon’s labour force resides in the Gulf and the country obtains 24% of GDP from remittance flows (2007).


\(^ {21}\) Hamim-ul-Kabir, “6547 workers die in the last four and a half years: 82 crore taka in compensation”, *Noya Digonto*, 16 August 2008.

Sri Lankan overseas workers were female with around 50% of the entire expatriate workforce employed as domestic workers.\textsuperscript{23} Saudi Arabia is the primary destination – nearly one-third of Sri Lanka’s 1.6 million overseas workers can be found in the Kingdom. Significant numbers can also be found in Kuwait and the UAE. According to Michele Gamburd, each Sri Lankan female migrant supports an average of five family members, which accounts for a little over 20% of Sri Lanka’s entire population.\textsuperscript{24} Gamburd notes that these women are highly exploited in the Gulf. In the UAE, labour laws do not apply to work that takes place in private homes and therefore the majority of Sri Lankan workers in the country are not covered by the (admittedly limited) labour rights of the country.\textsuperscript{25} Gambard’s own fieldwork with Sri Lankan women workers in the UAE indicates that nearly half of these women never left the houses of their employees in the two years that they spent working in the Gulf.\textsuperscript{26}

**Philippines**

The Philippines is heavily dependent upon the export of labour and is consistently within the top four recipients of overseas remittances in the South. The country received US$16.4 billion in 2008 from remittances – equivalent to almost 10 percent of GDP.\textsuperscript{27} At end-2007, more than two-fifths of the total deployed Overseas Foreign Workers (OFWs) were located in the Middle East (43.3 percent), the majority of which were in Saudi Arabia (21.2 percent of total deployed) and the United Arab Emirates (10.5 percent of total deployed).\textsuperscript{28} The Gulf’s importance as a destination for OFWs is continuing to increase. In 2008, more than 50% of new hires and re-hires of Filipino workers were in GCC countries.\textsuperscript{29} Many of these Filipino workers in the Gulf are females who work in sectors such as nursing, teaching, services and domestic work. Seventy-four percent of all new hires of Filipino overseas nurses in 2007, for example, went to Saudi Arabia. Over 54% of new hires of domestic workers went to the GCC states.\textsuperscript{30}

**India**

In 2007, India was the largest recipient of remittances in the world ($27 billion) and 40% of this total came from workers in the Gulf. Remittances made up 3.3% of Indian GDP in 2007.\textsuperscript{31} About 4 million Indian workers are estimated to be in the Gulf, mostly in the UAE (2.17 million) and Saudi Arabia (1.26 million)\textsuperscript{32} and in 2007, 95% of all labour

\textsuperscript{23} Sri Lankan Bureau of Foreign Employment.
\textsuperscript{25} Gamburd, p. 65.
\textsuperscript{26} Gamburd, p. 66.
\textsuperscript{27} Domingol, Marianne. (2009), “Deployment Profile and Remittance Patterns of Overseas Filipinos”, Central Bank of the Philippines, Briefing No. 09-02 June, p.1
\textsuperscript{28} The Philippines makes a distinction between those Filipinos that live permanently outside of the country and those that travel overseas for the purpose of work. OFW refers to the latter category and numbered around 5 million in 2007. Domingol, p.3.
\textsuperscript{29} Domingol, p.4.
\textsuperscript{31} World Bank Briefing 10, “Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 7-10 percent in 2009”.
outflows from India were destined for GCC countries.\textsuperscript{33} These workers perform a wide variety of tasks, ranging from skilled engineering, managerial and financial work to construction labour and taxi driving.

\textbf{Pakistan}

In 2003, 97 percent of Pakistanis working overseas were employed in the GCC, mostly in Saudi Arabia and the UAE (59\% and 29\% of Pakistani overseas workers respectively). Many of these workers are employed in low-wage construction jobs; Pakistani workers have underpinned the meteoric expansion of Dubai’s real estate sector in recent years. The country is heavily reliant upon remittance flows (in 2007, the US$5 billion flow of remittances was equivalent to around 4.2\% of GDP)\textsuperscript{34} and these figures are believed to be significantly understated due to the use of undocumented means of remittance transfer (see below).

\textbf{3. Geographical Displacement of Crisis}

The specific nature of these patterns of class formation and the regional configuration of labour flows is critical to understanding the impact of the current economic crisis on the Gulf. The first thing to note is that there has certainly been a slow-down in economic activity and accumulation possibilities across the GCC, concomitant with the global drop in demand for hydrocarbons. The price of oil has plunged over 64\% from the peak of $147.27 in July 2008. Many of the high profile ‘megaprojects’ in the region have been cancelled or postponed, banks have been put under severe pressure as asset prices fall, and several major investment firms have defaulted on their loans as a result of over-leverage. These trends are reflected in the 57 per cent decline in GCC equity markets in the year to March 2009.

Dubai, one of the key centres of accumulation in the Gulf, has been worst hit. According to the US company Jones Lang LaSalle, more than half of the real estate projects planned for completion in Dubai by 2012 have been put on hold or cancelled.\textsuperscript{35} This is having a knock-on effect – in the power, electricity and water sector, for example, several major projects have been postponed. By some estimates, property prices in Dubai have dropped by as much as 70 per cent and commercial rents by 60 per cent.\textsuperscript{36} This will further reinforce a plunge in consumption – impacting sales in the region’s malls and hypermarkets, many of which are highly leveraged.

Dubai is perhaps the most extreme example but other Gulf states have also felt the effects of the crisis. In Saudi Arabia, for example, 54 major projects have been put on hold including the construction of the massive King Abdullah Economic City – a US$27 billion investment that was planned to house 2 million people by the time of its completion in 2016. In Kuwait, a US$17.4 billion petrochemical joint venture with Dow Chemical has been cancelled and real estate sales have dropped by 60 per cent to January 2009, according to leaked government data.\textsuperscript{37} There have also been some large, high

\textsuperscript{34} World Bank Briefing 10: Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 7-10 percent in 2009.
\textsuperscript{35} Middle East Economic Digest 2009b, p.30.
\textsuperscript{36} Khaleej Times 2009.
profile financial casualties. Most recently, two of the region’s largest private conglomerates, the Saudi holding companies Saad Group and Al Gosaibi Group, announced they would need to restructure US$10bn worth of debts. The news sent panic through neighbouring Gulf countries due to the extensive cross-border investments of these two companies.

This slow-down in economic activity, however, needs to be understood through the lens of the class structure outlined above. As the crisis has unfolded, two specific trends are noticeable. First, GCC states have moved to redirect accumulated surpluses from a decade of high oil prices to private companies and state firms under strain. In Dubai, the government has set up a US$20 billion emergency fund, the Dubai Financial Support Fund (DFSF), to support large infrastructure and real estate projects that are overleveraged. In some cases, Dubai companies had originated asset-backed securities similar to those issued in the US. These securitizations were backed by mortgages that have lost significant value during the crisis. The DFSF will cover these losses and support financial companies in Dubai. In Qatar, the leading banks recently received a QR 15bn (US$4.12 bn) injection of funds aimed at buying real estate investments that had soured during the downturn. This injection follows an earlier round of support to Qatari banks, including a 5% government stake in some of the key banks in the country. Similar schemes are under discussion in Saudi Arabia and Kuwait.

Secondly, concurrent with this extension of state support, the specific structure of class formation in the region has allowed Gulf ruling classes to displace the worst effects of the crisis on to the migrant working classes and away from the tiny layer of citizenry. In other words, the crisis is very real – but it is being geographically displaced to neighbouring countries. Much of the supporting evidence for this analysis is still largely anecdotal and predictive, as full data is yet to become available. Nevertheless, a strong argument can be made for this perspective.

To begin with, reports indicate that as projects are postponed or cancelled, migrant workers are simply being repatriated to their home countries. The Indian consulate in Dubai, for example, reports that UAE construction companies are block-booking entire planes in order to remove workers from the country. Although UAE governmental figures are notoriously unreliable, one Dubai government department has predicted a staggering 20 per cent drop in population levels as employment levels plummet and workers are repatriated. The Minister for Overseas Indian Affairs, Vayalar Ravi, told the Indian parliament on July 8 that up to 150,000 Indian workers from the Gulf countries have probably returned to the country due to the global economic slowdown. The Indian state of Kerala is expecting around 200,000 workers to return from the UAE by the end of summer 2009. The number of Bangladeshi workers in GCC countries has declined by 58% from January 2008 – May 2009. This is largely a result of

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38 In November 2008, Tamweel, one of the two largest home lenders in the UAE, ceased operations due to financial difficulties. Tamweel had originated asset backed securities derived from mortgages on the Nakheel Palm Jumeira project, a massive artificial island constructed off the coast of Dubai in the shape of a palm tree. Prices for apartments and villas on the Palm have dropped by 60% from their peak.


40 According to the Middle East Economic Digest, the Dubai Roads and Transports Authority is revising its spending plans to take into account an anticipated one-fifth drop in population levels over the next year (Middle East Economic Digest 2009c, p.19).

the virtually complete cessation of hiring in Saudi Arabia and Kuwait, which stopped
issuing new work permits and deported thousands of Bangladeshi workers in 2008. These
two countries alone had previously accounted for nearly 40% of total migrant workers
from Bangladesh. The massive drop in employment is reflected in figures for air travel
from Bangladesh to the Gulf – with industry spokespeople claiming a drop from 26,000
travelers per week in 2007 to 12,000 in mid-2009.42

As this crisis continues to unfold – and the Gulf appears to at the beginning of this
process as many companies are opting to complete real estate projects that are at an
advanced stage – we should expect a large drop in remittance flows to neighbouring
countries. It should be strongly emphasized that remittance figures need to be treated very
cautiously. First, much of the remittance flows to South Asia from the Gulf do not show
up in official figures because they happen through informal channels rather than licensed
money exchanges or the banking system. This is particularly pertinent in the case of
Pakistan where the informal Hawala money transfer system is highly popular and almost
impossible to track.43 Second, with the onset of a severe crisis it is not unexpected to see
a temporary rise in remittance flows as long-term migrant workers repatriate significant
levels of accumulated savings in preparation for a return home. This appears to be the
case in both India and Pakistan, where remittance levels from the Gulf sharply increased
in 2008 and 2009, despite the slow-down in employment.44 Finally, as the Philippines
Central Bank has noted, much of the geographic specificity of remittance data can be
misleading as it is common for various cities to route remittances through correspondent
banks in the US. Since banks attribute the origin of funds to the most immediate source,
the US appears to be a larger source of remittance flows than it actually is.

With these provisos in mind, however, official remittance figures are beginning to
indicate the likelihood of a very severe social crisis emerging in the countries of South
Asia due to the drop in labour flows to the Gulf. In Sri Lanka, for example, net
remittances inflows declined 3.8 percent in the year to March 2009, posting the fifth
consecutive month of decline (and on the heels of an 18 percent decline in February).
This should be compared with over 22 percent annual growth rate for the third quarter of
2008 period.45 The impact of this decline will be devastating – particularly when coupled
with the slowdown in Sri Lankan export markets and the widespread dislocation arising
from the Sri Lankan military attacks on Tamil areas earlier this year. As noted earlier, it
is estimated that around 20% of Sri Lanka’s population is dependent on remittance flows
and 60% of these flows come from the Middle East region.46

Other labour exporting countries are demonstrating similar trends. In the
Philippines, remittance income during the first quarter of 2009 compared to the same

42 "Travel Trade In Jeopardy as Manpower Export Falls", April 21 2009, The Financial Express.
43 In the hawala system, a customer approaches a broker in one city and gives a sum of money to be
transferred to a recipient in another city. The hawala broker calls another hawala broker in the recipient's
city and gives instructions for the funds (usually minus a small commission). No actual transfer of money
takes place but net debts are then settled at a later date. The entire process takes place on trust and no
records of the person sending the money are kept.
44 World Bank figures for India show remittance flows nearly doubled during 2008 (US$51 billion
compared to $27 billion in 2007). In Pakistan, remittances sent home by overseas Pakistanis jumped by 20
per cent in the first 11 months of the 2009 fiscal year as compared to the corresponding period last year.
period in 2008 dropped 53% for Kuwait, 10% for Bahrain, and 2% for the UAE. Although Saudi Arabia managed an increase of 18% over the same period, the current trends are not good – from January to April 2009 monthly remittance figures from the Saudi kingdom to the Philippines dropped by around 5%. In Bangladesh, remittances from the country’s most important labour destination, Saudi Arabia, dropped by 6% from January – June 2009. Overall, flows increased by 7% (largely due to an increase from the UAE) but it is questionable whether these trends will continue into the last quarter of 2009.

As noted earlier, it is very difficult for workers in the Gulf to protest or prevent these lay-offs from occurring. Because of their temporary nature, contracts are simply terminated or not renewed. Workers are simply put on a plane and sent home, with the stream of new jobs slowing to a trickle. Once a work visa is terminated, it is not possible to remain in the country to look for alternative work. Labour laws are designed more for cosmetic purposes rather than any defence of worker’s rights. For all of these reasons, it is possible for Gulf states to displace the worst impacts of the crisis onto migrant workers and – by extension – the surrounding region, without regard for its social consequences.

4. Conclusion

During this crisis it has become commonplace for radical commentators to cite Lenin’s dictum that there is “no such thing [for capitalism] as an absolutely hopeless situation”. This is an important message to keep in mind as it highlights the fact that capitalist crises are inevitably resolved. The pertinent question we must ask, however, is by what means will capitalism find this resolution? This paper suggests that an answer to this must be sought first and foremost in an understanding of the patterns of class formation. The continually evolving process of class formation acts to shape the way that crisis is both mediated and resolved.

In the GCC, the particular pattern of class formation that has ensued over the last few decades has enabled the Gulf state and capitalist classes to attempt to resolve this crisis through its geographical displacement. As projects are cancelled and productive activity dries up, funds can be redirected to struggling business groups while workers are dismissed en masse without regard for the consequences. It is almost impossible to resist this process because of the temporary nature of working class existence. The social dislocation is not so much reflected inside the Gulf state, but is instead displaced to the farmers and workers across South Asia.

48 One example of this is the practice in Dubai of transporting construction workers to their work site in open cattle trucks. This practice was discontinued with large fan-fare in around 2004 because it was felt that it gave the Emirate a poor image at odds with its self-perception as a modern, globalized city. Instead, workers are today transported in old school-style buses that lack effective air-conditioning.
49 Unions are banned in Saudi Arabia and the UAE. In Kuwait, a national trade union federation exists but for workers to form a union there must be at least 15 Kuwaiti nationals in the workplace. This effectively prevents unions from forming in the private sector as most workers are migrant workers. In Qatar, non-Qatars are not permitted to form a union. While unions are permitted in Bahrain, strikes are banned in the hydrocarbon, health, education, pharmacy, security, civil defence, airport, port and transport sectors.
These geographical flows of labour, the historically structured patterns of class formation, and the regional linkages we see between the Middle East and surrounding areas are much deserving of further investigation by radical political economists. This paper has only scratched the surface of a complex and critical space of the world market and if we are to understand development processes and social movements across South Asia we need a much stronger grasp of these patterns. What is the relationship, for example, between the resurgence of fighting in the North-West of Pakistan and the geographical displacement of crisis in the Gulf? We need to better understand these spatial processes and their materialization in the surrounding zones.

At a more general level, this paper suggests that an understanding of capitalist crisis requires an understanding of new forms of class structures both within specific social formations and at the level of the world market. If we are to understand how capitalism attempts to resolve crisis, we need to grasp the process through which class structures have formed historically and the ways in which they continue to be remade. The Gulf’s complete structural reliance on temporary migrant labour may be anomalous relative to other zones in the global economy, but this particular strategy of social control is certainly present and growing across the world. These new and emerging patterns of class formation – which in the final analysis reflect the deepening internationalisation of capitalist production – need to be emphasized as a central feature of our understanding of this crisis and its resolution.

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51 In Canada, for example, temporary migrant permits are now being extended to a variety of different industrial sectors after several decades of trials in the Southern Ontario fruit and vegetable fields.