

Is Rentier State Theory Sufficient to Explain the Politics of the UAE?

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ALESSANDRO ZICCHIERI, FEB 4 2016

Observing the rents accrued by the governments of Gulf States, the allure of implementing Rentier State Theory (RST) in explaining their politics is easy to comprehend. Defining rents as effortlessly accrued income streams, rentier states can be seen as those whose economies are dependent on substantial external rent for state revenues (Schwarz, 2012:121). They incorporate only a fraction of society in the production of rents, whilst, with the government acting as the principal recipient of the wealth, the majority engage in its distribution and utilization (Beblawi, 1987:385). Rentier economies then become “allocation” states, distributing the rents they accrue, uninhibited by the need for taxation levied on productive economic sectors (Luciani, 1990; Hvidt, 2011:89). Rentier states thus employ an “expenditure policy,” with little interest in diversifying their economies or forming a coherent economic development programme (Gray, 2011:1). Rentierism can then be seen as a hindrance on democracy and a boon for autocracy: the lack of taxation weakens the regime’s accountability to society (Herb, 2005:298) and a “rentier social contract” forms whereby the state offers goods, services and other perks to society in return for substantial autonomy in decision-making (Wiktorowicz, 1999:608). This essay will assess whether RST is sufficient in explaining the politics of the United Arab Emirates (UAE) as a case. It will examine first if it qualifies as a rentier state; followed by an assessment of whether RST aptly captures the country’s politics – ultimately claiming RST needs additional theoretical tools in order to fully assess the state’s politics.

In assessing whether RST adequately explains the UAE’s politics, one should first analyse whether the UAE can be considered a rentier state. With 77% of the state’s budget derived from oil revenues (Hvidt, 2013:13), the UAE has established a hugely generous state in the absence of taxation on personal income and corporations outside of the oil sector (Bouyamoun, 2015). 67% of Emirati nationals are employed in a public sector that offers higher wages for working fewer hours than the private sector (Barnett, Malcolm and Toledo, 2015:288) whilst free healthcare and education are provided for nationals alongside subsidised utilities. Cumulatively, the average Emirati male receives around \$55,000 a year in total transfers from the government (Toledo, 2013:41). A rentier social contract emerges as the creation of artificial employment opportunities and handouts become a means for the government to obtain support and, from this, legitimacy (Toledo, 2013:51).

This evidence heavily implies that the UAE qualifies as a rentier state. Further, by including Beblawi’s notion of “second order rents,” a more detailed image of the UAE’s rentier nature can be seen. Second order rents refer to situations in which business or trade professions can generate unearned income by law or social convention (Beblawi, 1987:389). A prominent example is the system of brokerage of state resources that exists in the UAE. Through a privileged position in relation to the state (often by bearing office or holding citizenship), individuals can provide access to resources to non-state parties in return for rents (Hertog, 2010:284). These brokers vary from small-scale bureaucrats to large merchant elites. In the UAE, a few politically-connected merchant families offer ruling Emirs influence over swathes of the private sector in return for positions of power and influence in companies (Almezaini, 2013:58) whilst less glamorous *mūaqqibs* (“pen-pushers” in the bureaucracy) earn rents utilising established networks in governmental agencies to speed up bureaucratic processes for impatient or ill-connected clients (Hertog, 2010:293). Rentierism, stemming from the ruling centre, extends along diverse patronage networks that exist in the UAE. The ubiquity of rentierism integrates “the individual vertically into social life on the basis of conformity,” leading them to “accept the legitimacy of the status quo” (Ayubi, 1995:167). A neo-patrimonial nature of

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governance emerges, where the Emir organises a regime around himself, “maintaining other members of the elite in a relationship of dependence on his personal grace and good favour” (Almezzaini, 2013:51). State-society relations in the UAE can hence be explained in part as a product of rentierism.

Further, a dependence upon oil for state finances has been shown to offer a “rentier effect”. Ross uses regression analysis to demonstrate how, as a state’s value of oil or mineral exports rises, there is a consistent decline in a regime’s democratic credentials (2001:342). He goes further, providing evidence that the lower taxation levels and greater spending on patronage dampen pressures for democratisation as well as leading to diminished demands for government accountability (2001:349). All of this indicates a rentier effect as rents obviate “the need for rulers to strike a “representative bargain” with citizens” (Dunning, 2008:53). When observing the UAE, this effect contributes towards an explanation as to why the regime emerged unscathed from the Arab Spring that drastically affected regimes across the Middle East and North Africa (MENA) region from 2011. Widespread satisfaction with economic affairs led to the country witnessing no unrest and the majority of citizens “actually showing further loyalty to the regime” (Almezzaini, 2013:64).

However, whether the UAE fully qualifies as a rentier state remains ambiguous. The country has achieved a high degree of economic diversification away from oil. Its largest Emirate, Dubai, with minimal oil-reserves, depends primarily upon tourism and real-estate as drivers of economic growth (Acuto, 2010:274) and attempts to attract foreign direct investment have resulted in the UAE becoming an alluring business hub, with an “innovation-driven economy... competing internationally with new and unique products” (Hvidt, 2011:98). Both these factors demonstrate the country’s oil-dependence is far from absolute. Further, the state’s own Emiratization policy, aiming to boost citizens’ participation in the private sector, has exposed its public sector to greater competition (Toledo, 2013) – diminishing the role of state-funded employment that rentierism offers. By casting doubt on the assertion that the UAE qualifies as a rentier state, it in turn raises questions on the applicability of RST in explaining its politics.

Alongside this, numerous flaws exist within the present RST framework. Herb claims that Ross fails to distinguish between rent-accrued wealth and other sorts, assuming “all types of wealth have the same effect on democracy scores” (2005:301). He instead measures oil-induced development’s effects on democracy, finding no evidence of a rentier effect – instead claiming rent wealth has no effect on countries that, without it, would have similarly undemocratic governance structures (Herb, 2005:311). The effects rentierism supposedly has on regimes’ governance structures become uncertain, impeding RST’s ability to explain the UAE’s politics.

RST’s impact upon politics is further weakened when one observes plausible explanatory factors for phenomena allegedly arising due to a state’s rentier nature. In the UAE, the neo-patrimonial patronage structures in place can be explained by the historical social context that the state is in. Stemming from an ancient, ingrained loyalty towards tribal formations, citizens of Gulf States are seen to desire communal solidarity, allowing them to be amenable to an autocratic ruler (Ayubi, 1995:166). Rather than being a product of rentierism, the social order established in the UAE is therefore a re-entrenchment of “existing patterns of social influence behind a new “modern” façade” (Mandaville, 2007:98).

Conventional RST also fails to explain many of the modern aspects of the UAE’s politics. RST posits rentier states pursue only an “expenditure policy” – offering minimal support of the non-rent domestic economy in order to distance possible economic failures from damaging a ruler’s credibility (Luciani, 1990:76). It therefore fails to account for modern development programmes being implemented in the UAE. Currently, the UAE is undergoing an Emiratization programme aimed at increasing “the participation of native workers in the production of goods and services in the private sector” (Toledo, 2013:40). Alongside this, other Emirates are employing a “Dubai model” of development. Attempts to implement a more sustainable long-term economic plan to diversify the economy away from oil are seeing the UAE drawing in an expanding tourism industry (Hvidt, 2013:12) as well as shift towards a more production-oriented economy (Hvidt, 2011:99). RST fails to account for these modern changes in the state’s attitude towards an active development policy.

Furthermore, traditional RST is fixated upon on the ability of rents to shape internal social and political environments, analysing only the “rentier mentality” of avoiding wealth accumulation through meaningful production (Beblawi,

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1987:385-6). Therefore, it neglects to account for the increasingly active foreign policy rentier states engage in outside of merely accruing rents. The UAE is no exception. It presently exerts soft and hard power within the MENA region – pressuring allies to condemn the Muslim Brotherhood in the region (Ramesh, 2015) whilst partaking in bombing campaigns against the Islamic State group (Hanna and Lister, 2015) and against Houthi rebels in the ongoing Yemeni civil war (BBC, 2015). RST struggles to provide explanations for this behaviour as it can only explain the UAE's domestic political nature. One can instead deploy constructivist theories to explain foreign relations. The UAE, as a relatively young state, has been said to have undergone a process of Emirati “identity formation” which in turn leads to the state projecting its identity in foreign policy (Abdulla, 2014:2). This aids in explaining the growing foreign policy role the UAE aims to have. A growing sense of Emirati-ness helps rulers legitimise some courses of action and make others incomprehensible (Saideman, 2002:179). RST fails to account for the sense of nationhood grown amongst the Emirati people. Instead constructivist theories can be used in explaining foreign policy decisions.

Yet RST still has an ability to more aptly describe the UAE's politics as it can be elaborated upon. “Late rentierism” does this, noting how the Gulf states remain rentier in nature yet have evolved since the theory's conception, tending to feature “quasi-rentier or non-rentier aspects in their foreign relations, economic policies and relationships with society” (Gray, 2011:19). The late rentier state notion captures the desire of UAE to engage in an active development policy to engineer predetermined economic outcomes (Gray, 2011:28) shown through its development program. It also aids in accounting for the more active foreign policy, accounting for the UAE's need to protect itself and its rentier wealth from regional conflict (Gray, 2011:35).

It would therefore be premature to dismiss RST so readily. It can be viewed in conjunction with the historical context to better explain the neo-patrimonial state-society relations. Whilst pure RST fails to capture the social-embeddedness of merchant elites, a more accurate depiction can be constructed if one views their historical roots (Azoulay, 2013:68). Merchants pre-existing ties to political elites aided them to gain access to commercial land at favourable prices and win construction contracts from the government (Almezaini, 2013:64). Rents allowed Emirs to favour select merchant families with lucrative contracts and under-priced land. Therefore, rentierism reinforces historical patronage networks by allowing merchant elites to consolidate their pre-existing positions in the UAE's society.

Similarly, in regards to identity-building, rentierism is seen to have an effect. Large scale investment in public awareness initiatives such as “Brand UAE” as well as huge annual celebrations for UAE's National Day can be seen as an “elite that employs PR firms and Western consultants to define and maintain... an identity consciousness” (Abdulla, 2014:27). This indicates an ability of oil-rich elites to use rents to generate a collective Emirati identity, in turn enabling them to utilise this identity in foreign relations.

This implies that, in spite of numerous shortcomings, RST still has some utility in explaining the politics of the UAE. Invariably, the UAE does not ideally fit the defining criteria of what qualifies a rentier state, yet this is perhaps unavoidable. RST's original proponent, Beblawi, concedes that “there is no such thing as a pure rentier economy” (1987:384). RST has been successfully adapted by Gray's “late rentierism” theory which still holds the same basic facets of Beblawi and Luciani's original RST. The aspects of the UAE's politics that it fails to account for, notably the country's active foreign policy, can then be explained by accompanying RST with constructivist ideas on identity formation. By combining an adapted RST with constructivist ideas, one begins to capture more accurately the politics of the UAE. Alone, RST fails to account for the kaleidoscopic nature of the country's politics, yet it would be foolish to expect it to.

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