OIL, FOREIGN INVESTMENT & LABOR MARKETS: MAPPING THE HISTORY OF GLOBALIZATION OF THE ISLAMIC MIDDLE EAST

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INTRODUCTION

This paper presents and examines the concept of globalization, economic global integration, modernization and the relationship between foreign investment and international migratory patterns that has occurred in the modern Arab Islamic Middle East. Also explained is the correlation between increased capital mobility and the mobility of labor; foreign investment's contribution to the formation and direction of labor migration, as outlined by Saskia Sassen, Columbia University Sociology professor, in her book, The Mobility of Labor and Capital – A Study in International Investment and Labor Flow. In this book, Sassen highlights the changes in the assumptions for large scale emigration, such as poverty, unemployment and overpopulation to illustrate the "connection between large increases in foreign investment and modern large scale emigration."[1] The application of Professor Sassen's theory to this case study illustrates that the regional migratory pattern which developed among Arabs during the 30 years prior to 1991 was a direct result of regional foreign investment made by the Arab oil-rich countries, arising from increased global economic integration. The history presented in this paper proves that in fact economic globalization has already occurred in the Arab Islamic Middle East which prompted modernization efforts in the region and that the majority of Arab countries willingly participated in the globalization process. This proof of globalization taking place in the Arab Islamic Middle East also counters the argument among scholars that globalization is a foreign and rejected concept within the region.

This is also a case-study which includes a brief history of migration in the Arab Islamic

Middle East and draws attention to the unique migratory patterns which evolved in response to the region's increased integration into the global economy due to the petroleum industry's growth during the 1970s and 1980s. The development of the global economies of Saudi Arabia, Iraq and Kuwait are charted, making evident the relationship between these countries' demand for foreign workers and the mass temporary migration of non-Gulf Arab workers to these states. The paper then concludes that starting in 1991, the Persian Gulf War became the catalyst for the global integration of mass Arab migration by war disrupted the processes of globalization and destroyed the regional labor market which developed in response to the rise in the global economies of Saudi Arabia, Iraq and Kuwait. Consequently, modernization efforts throughout the region were entirely destroyed or halted since the war, and forced non-Gulf Arab migrants working in the oil rich Arab Gulf states of Iraq, Saudi Arabia and Kuwait to return to their homelands due to the loss of the region's job opportunities.

Massive refugee flows were created due to denied economic (and in some cases physical) security in Arab countries. The return of these workers negatively affected their respective impoverished economies, especially aggravating the plight of previously displaced Palestinians. Arab workers and refugees increasingly moved to seek opportunities outside of the Arab Middle East relocating around the globe. Additionally, this war created a refugee situation among Iraqis due to the economic sanctions imposed against Iraq, combined with the Saddam Hussein regime's suppression of the Shiite and Kurdish uprisings after the war. Many were offered refuge in various parts of the globe. Ironically, the de-globalization of the Arab economies led to a globalization of Arab migratory patterns. This paper's findings are significant because they lay the foundation for understanding the political, economic and social reasons why the number and size of Arab communities around the world have increased exponentially over the last 15 years.

GLOBALIZATION AND THE ROLE OF FOREIGN INVESTMENT

Globalization generally involves the "integration and democratization of the world's culture, economy and infrastructure through transnational investment, rapid proliferation of communications and information technologies, and the impacts of free market forces on local, regional and national economies".[2] "Globalization is commonly used to refer to the economic processes associated with the increasing international integration of markets for goods, services, and capital itself, and the surrender by countries of control over growing segments of their national economies as they adopt policies to facilitate this integration.[3] Included with these markets is the integration of labor as well.

Although components of the globalization process are not new, the concept of globalization itself is seen as the contemporary offspring of the industrial revolution, birth from a full cycle of capital accumulation. For this paper's purposes, globalization is defined as the multifaceted process; the product of the economic cycles of capital accumulation that is set in motion as at the end of a period of major industrialization. This is the view set forth by Johns Hopkins University Sociology Professor, Giovanni Arrighi, whose model of cycles of capital accumulation is employed in this paper's definition of globalization.[4] Arrighi termed this process of economic globalization as "financialization" which he describes as occurring after periods that have been characterized by a rapid and stable expansion of world trade and production which invariably end in a crisis of over-accumulation which ultimately ushers "in a period of heightened competition, financial expansion, and eventual breakdown of the organizational structures on which the preceding expansion of trade and production had been based."[5] In order to truly understand this concept of economic globalization or financialization, it is necessary to explain how the capital accumulation cycle works.

A nation, one which typically has an agriculturally based or underdeveloped economy, decides to become industrialized to increase its economic development activities, or to expand its market based economy to accumulate capital. There may be a number of reasons a nation decides to accumulate capital. These reasons might include the need to provide improved living conditions for its inhabitants, to trade with more developed nations, to respond to the discovery of plentiful natural resources, technological or industrial inventions. Next, the cycle of capital accumulation is set in motion when this nation, whether through borrowing or a reinvestment of existing capital, begins to expand its market functions and develop its infrastructure. This market expansion and infrastructure development slowly creates many opportunities in various sectors of the economy. This stage of economic growth in the cycle of capital accumulation generally attracts foreign workers because of the increase in employment opportunities due to the market expansion and infrastructure development. Also, at this stage of the cycle, economic growth and capital accumulation is steady enough to begin trading with other nations for goods and services. Consequently, this developing country becomes integrated into the global economy.

Industrialization and economic development continue until government, business and individual members of society accumulate capital surpluses, even after much has been reinvested in domestic projects and profits taken. At this point, economic growth and the cycle of capital accumulation have peaked. This capital surplus accumulated and held by the government, business and private investors is considered as no longer able to be placed domestically to provide the greatest possible return. Therefore, the government, business institutions and investors seek to place this surplus capital in foreign locations which are typically underdeveloped or seeking to expand its markets and economic development projects. This is where the process of economic globalization (or financialization as termed by Arrighi) begins. Various foreign institutions and countries then compete to attract these capital surpluses to their market expansion or infrastructure development projects. Meanwhile, those with the capital surplus seek to globalize the cycle of capital accumulation by starting the process in various parts of the world until practically every society is linked into the global economy and network.

In order for surplus capital to be placed in foreign investment projects, other components of globalization must be present. These components, privatization, liberalization and information technology ideally work together to generate investment opportunities abroad as well as to establish political and technological conditions which promote the swift transfer of funds. In other words, these processes work together to increase the number of locations around the world where surplus capital can be placed and to shorten the length of time it takes to complete these financial transactions. The product of these processes is called capital mobility. Capital mobility is what truly activates the globalization process. The ability to move capital to any place in the world in a matter of seconds due to the implementation of advanced technology is how foreign investment is conducted in the context of globalization. Technological advances enable the actual execution of financial transactions between two distant locations. Through privatization and liberalization, relationships and opportunities are created to attract the extremely mobile capital. Globalization's ideal scenario is for growth to occur through liberalization, ultimately freeing up markets and privatization, liberalization and macro stability together create a climate to attract investment, including from abroad, which creates growth.[6] "Foreign business brings with it technical expertise and access to foreign markets, creating new employment possibilities. Foreign companies also have access to sources of finance, especially important in those developing countries where local financial institutions are weak. Foreign direct investment has played an important role in many—but not all—of the most successful development stories in countries such as Singapore and Malaysia and even China."[7]

Privatization involves the converting of state run industries and firms into private ones.[8] The goal of this component is the establishment of a market environment. When large industries and firms are privatized, it is anticipated that negotiations and market transactions can occur between parties in different countries with increased ease. The outcome of privatization should be improved relationships between foreign entities and minimized government bureaucracy. Liberalization, involving "the removal of government interference in financial markets, capital markets and barriers to trade—has many dimensions."[9] Its goal is to stimulate cross border transactions in various sectors of an economy. For example, in poor or lesser developed countries economic development cannot take place because often there is a shortage of capital or entrepreneurship due to lack of education or bank financing.[10] Employing the concept of liberalization, this type of country could drop or "liberalize" its protective barriers to trade in order to expand its exports to ensure there is capital available for new job creation or economic development. Another example of liberalization would be for a developing country to eliminate barriers in its financial and capital markets to simply allow foreign investments to finance job and enterprise creation.

This foreign investment is designed to stimulate the cycle of capital accumulation in the recipient country to mimic the cycle already completed in the nation where the investment funds originated. The idealistic hope of many of those in favor of globalization is that foreign investment will open and expand markets and development in various underdeveloped parts of the world. The goal of globalization is to expand market activities of a country beyond domestic borders, creating many types of cross-border transactions between nations to develop a free global economy, whose participants are operating and living in democratized environments conducive to free trade in various places in the world. Globalization's definition consists of several components and processes; however this is one of its most basic explanations, especially as it relates to foreign investment.

CAPITAL MOBILITY AND FORMATION OF LABOR METHODOLOGY

Saskia Sassen, Columbia University Professor of Sociology, embarked on a study of the relationship between international investment and international labor migrations which was published in her 1988 book entitled, The Mobility of Labor and Capital. The crucial period for her analysis is the middle of the 1960s, when significant transformations in the magnitude and composition of global foreign investment flows occurred and coincidentally was a period of massive new migrations.[11] The largest of these migration flows were from Southern Europe and North Africa to Western Europe, from the Caribbean Basin and South-East Asia to the United States and from the Middle East and South Asia into the Arab oil-exporting countries.[12] In this study, Professor Sassen examined immigration to the United States from Asia and the Caribbean Basin, as a case study of the relationship between international labor migrations and international investment.

Sassen noticed patterns that escaped the prevailing explanations of why migrations occur. One of these patterns, of high importance, concerned the timing, magnitude and origins of the new migration. For example, this new migration was taking place at a time of high unemployment in the U.S., including major job losses in sectors traditionally employing immigrants, and of high growth rates in the major immigrant sending countries.[13] This dispelled the typical assumption that migration occurs as a result of economic "pulls" in the destination country and unemployment or poverty "pushes" from the country of origin. Therefore, it became important to examine what initiated the new migration flow and why did it continue at ever higher levels.[14] Since the 1960s, the world economy was reorganized altering the conditions relative to previous migrations. However, some general conditions still exist in most migrations today. As in the case of the U.S., push and pull factors in earlier migrations could not be used as explanations for initiating this new international mass migration. Therefore, Sassen's goal was to discover the particular historical and political context of the current migration phase since traditional explanations for migrations were no longer applicable. Consequently, she investigated those historical, political and economic processes which linked the sending and receiving countries.[15] In her examination of the Asian and Caribbean migration flow to the U.S., she recognized that economic practices and technology arising from the cycle of capital accumulation contributed to the formation of a transnational space for the circulation of capital which was made viable by American regulating and delimiting policies. Sassen uncovered the liberalization of U.S. immigration policy and interstate agreements which included a whole series of policies from the lifting of import-export restrictions to the implementation of the Eurodollar market, which internationalized the country's economy. Again, she found that the overall result of these processes was the formation of a transnational space within which the circulation of workers can be regarded as one of several flows, including capital, goods, services, and information.[16]

Sassen says "what economic theory as well as governments defines as movement between countries is also movement within one single entity encompassing those countries."[17] It is here that she is referring to her concept of transnational space. Therefore, the central question around which her book's inquiry was organized relates to the impact that such a transnational space for the circulation of capital has on the formation and directionality of international labor migrations.[18]

While researching the impact that transnational space has on the formation and direction of international labor migrations, Professor Sassen recognized that "capital mobility has created new conditions for the mobility of labor."[19] She observed that the presence of foreign investment fosters migration because it is ultimately responsible for the formation of a pool of potential emigrants or a supply of foreign laborers. When examining the link between the U.S. and Asia, Sassen determined that the very presence of foreign investment created cultural-ideological and objective links with the largely highly industrialized countries providing this capital. In return, these highly industrialized countries became the major recipients of immigrants from the lesser developed countries where the foreign investment was made.[20]

Sassen analyzed the psychology of how the migrants became connected to the receiving countries. She noticed that the presence of the foreign investment, regardless of the type, created a tangible image of the capital providing country to the people of the country where the capital was invested. In fact, this investment established a psychological presence which brought the country and its culture closer to the people of the lesser developed country. Consequently, an ideological link was formed and a mentality developed among the inhabitants of the lesser developed country igniting a desire to go to the country where the foreign investment originated.[21] The ideological effect is not to be underestimated: in Sassen's case study, she found that, for example, the presence of foreign plants not only brought the U.S. or any other "western" country closer, but it also "westernized" the lesser developed country and its people.[22] Thus, emigration to the U.S. emerged as an option, as opposed to in an 'isolated' country, that is, one lacking extensive direct foreign investment where emigration would be quite unlikely to emerge as such an option.[23] As a result of the presence of foreign investment and the ideological/cultural linkages that it brought about, a pool of potential emigrants or foreign laborers was formed, with hopes to travel the transnational space linking the countries. Consequently, this group sought to migrate regardless of the positive economic growth occurring in its homeland and the declining economic conditions in the destination country. In her research, Professor Sassen clearly affirms that "direct foreign investment is not a cause but a structure that creates certain conditions for emigration to emerge as an option."[24] "Foreign investment *per se* does not always lead to the uprooting of people and the associated labor migrations."[25] Rather, it is foreign investment which is responsible for the formation of a pool of emigrants or a supply of foreign laborers, but it is the globalization component of liberalization, applied to various political and economic policies or institutions, which mobilize these pools of potential emigrants or laborers to migrate. Hence, Sassen's findings illustrate the relationship between the mobility of capital and mobility of labor.

In summary, it is through the components of globalization, such as trade agreements and other liberalized policies, that links are established between countries which create, in a sense, an imaginary highway on which various types of capital can move freely with limited restrictions. Once capital is mobile and placed as a foreign investment, it fosters, through its ideological/cultural linkages, a supply of labor willing to travel to the foreign countries incorporated into the designated transnational space. Professor Sassen's concept also explains why the migration flows to the U.S., Western Europe and the Middle East, during the period of analysis, were massive. Liberalization of immigration policies likely lifted restrictions on the number of people moving, as compared to the past when migration occurred within stricter guidelines. The pattern of the movement of capital, whether human or financial, on this imaginary highway or space is dictated by the terms of the various policies and/or trade agreements between the countries. In other words, this is the reason why mass migratory patterns differ and why, according to Sassen, not all countries become large-scale senders of immigrants or are incorporated into this transnational space.

Since the 1960s brought with it changes in the way countries interact with one another as a result of the globalization processes, new analytical tools became necessary to evaluate migratory causes and patterns. Saskia Sassen's research revolutionizes the way mass migratory patterns, since the 1960s, should be analyzed. Because I am examining the Middle East migration flow into the Arab oil-exporting states during this same time period, I will analyze the historical and political contexts of this migration phase, including the role and magnitude of foreign investment as Sassen suggests. Regional economic history, the processes of globalization, and political relationships will be explored in order to explain this mass migratory pattern.

MODERN HISTORY OF ARAB MIGRATION & THE GULF STATES TO 1973

The general attitude toward the Gulf-oil states decades prior to the 1973 boom in oil prices was that the region was of limited importance to the world, with the exception being a source for cheap oil for the industrialized capitalist countries. "In the immediate post-World War II years, the states of the Arabian Peninsula were marginal to the main political and diplomatic issues that dominated the Middle East. Impoverished, sparsely populated, and ruled by traditional monarchs with few resources, they were of little international concern except to Britain, which had secured treaty relations with them in order to protect the route to India, and to a few Western companies that had begun exploring for oil in the 1930's."[26] This account was quite true. The Gulf-oil states of the Arabian Peninsula were impoverished during the early to middle 20th century and hardly attractive to anyone other than its own citizens. This includes what came to be the largest importers of foreign labor of the Gulf-oil states, Saudi Arabia, Iraq and Kuwait, which were largely unsettled politically, socially or economically during this time. Prior to the 1970s, there were not significant migration patterns occurring within this region or with Arabs in general. The exception was some internal migration within Iraq. But for the most part, migration from the poorer Arab countries, (referring to Egypt, Jordan, Lebanon, Syria, Yemen Arab Republic-North Yemen, South Yemen, Sudan) to the richer Arab countries, (Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman, Bahrain, Iraq and Libya) was minor during the 1950s with increase in the 1960s.

Until the 1970s, the majority of migration from Arab countries was to regions outside of the Middle East. Mass migrations occurred from Morocco, Tunisia and Algeria to Western Europe, mainly to France and many Lebanese immigrated to Australia, West Africa, North and South America.[27] Egyptian emigrants during the 1960s mainly left for the Western countries. Jordanian emigrants were the exception with large-scale migration to the Arab oil exporting countries taking place much earlier.[28] "According to the 1961 Jordanian census, there were 63 thousand citizens working abroad in that year, representing 9% of its labor force -- the large majority in the rich Arab countries."[29]

In order to understand the changes in the migratory patterns of Arabs in the Gulf region, it is important to understand the economic, political and social conditions, prior to 1973, in the states which became the largest Arab immigrant centers. Providing this information will not only show the direct relationship between the processes of global integration brought on by the oil price increase of 1973 and the large scale movements of the Arab people which resulted, but also the development of the global economies of Saudi Arabia, Iraq and Kuwait, the largest immigration centers which supported these movements.

KUWAIT

Kuwait is an Arab state situated at the head of the Persian Gulf, between Saudi Arabia and Iraq. It was settled by tribes from the Najd region of Arabia in the early eighteenth century.[30] Because of Kuwait's location on the Gulf, its economy was based on shipbuilding, commerce and pearling. The Kuwait City harbor was considered the best on the Gulf; therefore, merchants chose it as a trade center between India and other parts of the Middle East.[31] The Kuwaiti merchant community obtained wealth through these activities and in turn subsidized the Al-Sabah ruling family who had little income of their own. The rulers depended on the merchants for maintenance in return for a voice in decision making.[32] "During the 1920s and 1930s, Kuwait experienced a wrenching economic decline that turned it into one of the most impoverished countries in the world. The pearling industry was undercut by the worldwide depression and then virtually destroyed by the introduction of the cultured pearl."[33]

Kuwait's history resembles that of a nearly "rags to riches" story. Because of the arrival of international oil companies in Kuwait, the country's plunge into poverty was halted.[34] Kuwait's ruler at the time, Ahmad al-Jabir al-Sabah, signed an agreement in 1934 with Gulf Oil and British Petroleum authorizing them to become equal owners in a concession known as the Kuwait Oil Company. Within four years, the exploration teams discovered one of the largest pools of oil in the world with commercial oil exports beginning in 1946, to generate an income in that year of $760,000.[35] "By 1953, oil revenues were $169 million, and after the price increases of 1973, they rose dramatically, reaching $21.7 billion in 1980. Petroleum income thrust the former backwater pearling state of less than 1 million native inhabitants into prominence as a major financial power."[36] Because Kuwait was one of the first of the Middle Eastern countries to develop its oil resources, it began importing large scale foreign labor much earlier than its neighbors. Palestinians arrived in 1948 and "in 1957 55% of the male population was non-Kuwaiti . . . Within the foreign population the Arabs were dominant. Jordanians and Palestinians numbered 78 thousand in 1965, rising to 204 thousand in 1975."[37]

Kuwait's early success was a result of "having Amir Abdallah al-Salim al-Sabah (1950-1965) to guide it through the first phase of change generated by oil wealth."[38] He was described as a cautious and frugal ruler who negotiated independence from Britain in 1961, and understood that oil revenues would best serve the future generations of Kuwaitis by being invested rather than squandered on the ruling family. Created under his leadership was an elected national assembly, first convening in 1963. His regime tolerated a moderate opposition in the national assembly as well as a relatively free press and publishing industry making Kuwait the most intellectually vibrant and politically diverse state in the Gulf during the 1960s and 1970s.[39]

IRAQ

Iraq became an independent state on October 3, 1932, with the majority of its control lying in the hands of Britain, including the first oil company in Iraq, Turkish Petroleum Company (TPC).[40] Since that time, Iraq has been a difficult nation to build,[41] and has historically been a region of individuals who highly resent foreign rule and occupation, as we see now in the daily news.

The Iraqi economy has been integrated into the international economic system at several junctures in history. In modern history, Iraq became integrated into the international economic system as an exporter of grain, and then, in the 1930s, of oil. Oil accounted for 49.3 per cent of Iraq's national income in 1953; however, the country had been dependent on oil as early as 1934 to balance the country's budget.[42] The Iraqi government exercised very little control over its oil production or price, which were both largely determined by the IPC, a conglomerate of Western companies. Additionally, because the Iraqi dinar continued to be linked to silver until 1947, Iraq's economy was constantly affected by changes in the value of the pound causing the country's economic pattern to resemble that of a colonized or semi-colonized Third World country.[43] "The vast majority of the population continued to be employed in agriculture, although because of the value of oil exports, agricultural production only accounted for a relatively small proportion of national income, some 29 per cent by 1951. Industry was still very underdeveloped, contributing only about 8 per cent in that year and 10 per cent then years later."[44] Government intervention in industry was minimal while agriculture, practically the whole of mining and quarrying, construction, the whole of wholesale and retail trade, and real estate ownership was wholly within the private sector. [45]

The economic picture of Iraq during the early to middle 20th century was quite similar to the other oil countries in the region during this time. The countries were all poor, with economic activities unable to support its population. However, Iraq was changing due to the growing petroleum industry. Wealth began to be concentrated in the hands of a limited number of landowners. Those holding commercial and industrial facilities in the cities followed the same pattern. The middle class, in larger towns accumulated commercial, industrial and real estate capital since the beginning of the mandate.[46] After the first oil boom in the early 1950s, there was a substantial rise in the development of a few large private fortunes. Meanwhile the size of the working class was estimated at around a half million, between one fifth and one sixth of the urban population. A large proportion of the labor force was illiterate rural migrants.[47]

Internal migration in Iraq increased and the population became more mobile during the period of 1947-1965. The rise in mobility during this time was likely attributed to the general economic development in the country. The flow of capital from oil royalties grew considerably during the 1940s and 1950s and several new industrial and commercial enterprises were established.[48] "Iraq's position amongst the major Arab oil exporters is somewhat unique insofar as its native population is far more numerous-- with the exception of Algeria."[49] For centuries, Iraq has been a land with a large population. It had actually been an immigration center for foreign Arab workers centuries before when the city of Baghdad was created and became the capital of the early Islamic Empire. Over the centuries, the Iraqi population dispersed amongst the rural areas, providing the country with a supply of labor capable of handling the demands of its growing enterprises in response to its developing oil industry. The new industrial center and commercial enterprises in the major cities "created greater employment opportunities than anytime before. There were improvements in social services, communication and transportation which facilitated movement of people from one part of the country to another". [50] By 1973, Iraq was "the largest Arab country in Asia in terms of population size. The total population was 4,816,185 in 1947 which increased to 6,298,976 in 1957 and 8,047,415 in 1965 (excluding Iraqis abroad)".[51] "This population growth for the country as a whole could be attributed to natural increase."[52] It was likely that the growth rates between the two periods were the result of increase in fertility and decline in mortality with the rising standard of living.[53]

Iraq as a result of its developing oil industry began to experience an increased standard of living beginning in the 1940s through the 1960s, in spite of its climate of political instability and a government that many Iraqis felt was not representative of them. Consequently, the country suffered revolutions and coups and to say that Iraq remained in political turmoil was an understatement. Through the political turmoil, beginning with a monarchy installed by Britain in hopes of serving its own interests, the Iraqis managed to establish modern housing, educational and social systems for its residents, and develop a sophisticated military. With Law 80 of 1961, Iraq was able to reclaim 99.5 % of the unexploited areas of the foreign-owned Iraq Petroleum Company's (IPC) concession, calling it a "repossession of national patrimony" rather than an ominous portent of "socialism".[54] The IPC, a consortium of several Western companies, with Britain having the largest share; dominated every aspect of Iraq's petroleum industry until after World War II and had little desire to relinquish control. However, in 1972 the Ba'th regime, frustrated with IPC's inflexibility, declared IPC a national company, an action of major political and economic importance because it was the most popular measure the regime had taken which contributed to its acceptance. The IPC's nationalization brought tremendous economic benefits to Iraq, especially since the government gained control of it on the eve of the momentous 1973 price revolution. [55] "For example, Iraq's 1968 oil revenues amounted to $476 million; in 1980 the figure was $26 billion."[56] However, fragmented the political community and life in Iraq was during the 20th century, it is obvious that several milestones were reached, moving Iraq toward the eventual participation in the global economy and becoming a major immigration center for Arab migrants.

<u>SAUDI ARABIA</u>

The al-Sa'ud family of Arabia "joined their tribal military forces with the puritanical Islam ideology of Muhammad ibn Abd-al-Wahhab in the eighteenth century to form a confederation that seized control of the holy cities of Mecca and Medina from Ottoman authorities".[57] The Sa'ud family maintained a regional power base and under the leadership of Abd-al Aziz ibn al Sa'ud created the kingdom in the 20th century bearing his family name.[58] King Ibn Sa'ud forged a state under his patriarchal style of rule. He made all decisions and the government institutions he did create reflected his dominance. However, when he died in 1953, the kingdom did not have a constitution, codes of governmental procedure, political parties or institutionalized forms of consultation. For the Saudis, there was only Islam, the ideology the family used to legitimize its rule and the Qur'an was the constitution and shari'ah was the law.[59] King Ibn Sa'ud was succeeded by one of his sons who faced the ideological threats of secular Pan-Arabism, socialism to Wahhabi Islam of the Kingdom. "In addition, domestic changes created by the expansion of the petroleum industry and the wealth it generated further threatened the conservative social and political order that was the basis of the royal family's support. King Sa'ud was ill equipped to deal with these challenges."[60] He used the state treasury, spending millions on personal indulgences, driving the state to the brink of bankruptcy and failed at foreign policy. In 1964, he was deposed by a coalition of family members in favor of Crown Prince Faysal, who ruled until 1975.[61]

During his reign he introduced a modernization program which improved Saudi Arabia's armed forces, administrative, educational system and regional stature. He chose to expand the role of the government in order to effectively manage the economic development of the country and administer social welfare programs. The educational system was expanded which included the construction of both secular and religious university campuses. Due to threats from neighboring Yemen, military spending was increased to over $2 billion in 1970 and was steadily raised in the following years.[62] By 1973, Saudi Arabia, with its role as a major supplier of the world's oil and its increased military expenditures, where the United States was the main beneficiary of several lucrative weapons systems contracts, was deemed a major participant in the global economy.

THE ARAB LEAGUE AND THE ARAB COMMON MARKET

From the 1950s and the 1960s, Arab economists and statesmen sought many opportunities to promote the many advantages that could be gained through Arab economic integration.[63] Until 1964, there had been no real accomplishment with regard to any inter-Arab trade[64] regardless of the Arab interstate agreements which emanated from the establishment of the Arab League in 1945.[65] The Arab League was a loose federation of Arab States "created to promote regional economic, political and cultural cooperation".[66] "The league was founded in Cairo in 1945 by Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Transjordan (Jordan, as of 1949), and Yemen. Countries that later joined are: Algeria (1962), Bahrain (1971), Comoros (1993), Djibouti (1977), Kuwait (1961), Libya (1953), Mauritania (1973), Morocco (1958), Oman (1971), Qatar (1971), Somalia (1974), Southern Yemen (1967), Sudan (1956), Tunisia (1958), and the United Arab Emirates (1971). The Palestine Liberation Organization was admitted in 1976."[67] The league had adopted the Joint Defense and Economic Cooperation Treaty, which created a ministerial-level Arab Economic Council to promote economic cooperation and coordination in order to raise living standards in the Arab countries, in response to the defeat of the Arab states by Israel in 1948.[68] The league's trade agreements which were in place since 1957, among the Arab countries, had a limited effect on the size and structure of inter-Arab trade.[69] "The league and the Economic Council approved an Economic Unity Agreement which called for the free movement of goods, labor, and capital as well as the freedom to own and inherit property and the right to work and establish residence in Arab countries."[70] Thus between 1951-3 and 1962-3 the share of inter-Arab trade in total Arab trade increased only slightly, and in some cases as those of Jordan, Lebanon and Syria, it even declined. The main exception during this period was the big increase in the trade between Egypt and Syria during their union (1958-61) whereby Syria's imports from Egypt in 1961 was more than five times their level in 1957. In 1964 an agreement was reached between the five Arab countries: Syria, Iraq, Kuwait, Jordan and Egypt to establish an 'Arab Common Market'.[71] Established in 1965, the Arab

Common Market had at its heart "two goals: liberalization of intra-regional trade and a creation of a free trade area (followed by free movement of all factors of productions)."[72] Two more countries later signed the agreement: Yemen in 1967 and the Sudan in 1969. On paper the agreement was extremely ambitious. Obviously imitating the European Economic Community, it aimed not only at the removal of trade barriers but at the ultimate establishment of a common tariff vis-á-vis the outside world, the free movement of labour and capital, a uniform agricultural, industrial, commercial and monetary policy … etc.[73]

During the same time period the U.S. was liberalizing its immigration and trade policies and experiencing the early signs of a new massive immigration, the Arab countries were making the same attempt to create a regional "transnational space for the circulation of capital"[74]. The transnational space was successfully created however the economic cooperation and integration intended from these agreements largely failed. Stated differently, the highways linking the nations were successfully built through the creation of these transnational agreements, however, large scale foreign investment was not available to stimulate the movement of capital, human or financial, along the highway. Reflecting on the definitions of the globalizing processes which bring about economic integration, presented earlier in this paper, it is clear why the Arab countries were unsuccessful in creating a regional economy at this juncture. First, many of the countries who agreed to participate in the free trade zones had not yet completed the cycle of capital accumulation. Even the richest of the Arab countries were in no position during this time, to stimulate economic development in the poorer countries through foreign investment. Saudi Arabia was nearly bankrupt by 1964 due to overspending in the Royal Family. Iraq was not yet politically or economically stable as a result of the 1958 coup. Kuwait had only recently gained its independence. The other Arab countries had little or no resources to expand their exports. In general, the concept of the Arab Common Market and the Arab League's Economic Council was successful in establishing a regional transnational space for the circulation of capital but premature for large scale trade between the Arab countries, given their stages of economic growth and political stability. Yet, it is understandable as to why the Arabs chose to pursue such an arrangement long before being prepared for it. Eventually, economic and political circumstances changed in the Arab region in 1973 to stimulate the circulation of capital on this transnational space created decades before. "The rise in oil prices in the 1970s led to massive movements of labor, capital, and remittances among Arab countries. Yet these flows took place outside the framework of the league and its institutions."[75] What this means is that the massive flows of inter-Arab trade which eventually developed were facilitated more by the demands of the global economies of the oil-rich countries rather than by the actual specific trade activities designated in the agreements established through the Arab League and the Arab Common Market. Nevertheless, the goals of these agreements were obtained. Again, the transnational space and linkages established through these agreements years before the oil boom were critical in facilitating the mass movements of capital and labor in the region, when most needed.

1973, FOREIGN INVESTMENT AND REGIONAL ECONOMIC INTEGRATION

The year 1973 was the year that changed everything for the Gulf-oil states and the non-oil producing Arab states as well. Although these Gulf States had generally made tremendous progress since their early oil days, 1973 would change their position and importance in the world forever, as we see in today's news. Again, I like the following statement by William Cleveland, which reinforces the thought of what actually happened. "Within three decades, however, these desert states had achieved the highest per capita incomes in the world and became crucial participants in the global economy. Oil was the resource that transformed the Arabian Peninsula from an isolated preserve of Britain to an area of world attention."[76]

The states Kuwait, Iraq, Saudi Arabia, together with Iran and Venezuela formed OPEC, (Organization of Petroleum Exporting Countries) in 1960. The organization's hope behind the formation was to be able to assert control over their most valuable natural resource. "OPEC's immediate objective was to utilize the collective-bargaining power of its member states to pressure the Western oil companies to increase oil prices. But as long as the world supply of oil was plentiful, OPEC has limited success in its efforts to change the policies and attitudes of the oil companies."[77] But in October 1973, OPEC got its wish. On October 6, 1973, a war broke out between Egypt, Israel and Syria. Before a cease fire agreement was arranged for the three countries to accept, the superpowers of the Soviet Union and the United States began supplying enormous amount of military supplies to those involved in the conflict. "From October 14 to November 15, the United States airlifted 22,000 tons of military supplies to Israel; the scale of the Soviet resupply to Egypt and Syria was also enormous."[78] This war completely altered the face of the petroleum industry, giving the oil-producing nations a new level of global power which was previously thought impossible.[79]

> On October 17, in a gesture of sympathy with Syria and Egypt, the Arab member states of the Organization of Petroleum Exporting Countries (OPEC) announced that they would reduce their oil production by 5 percent a month until Israel withdrew from the occupied Arab territories. . .[80]
> In the months that followed, previously underpriced petroleum began to find its true market value. OPEC set the price at $11.65 per barrel effective January 1, 1974; a year earlier the price had been $2.74. The effect of the price increases on Saudi revenues was dramatic. In the year before the price hikes, the kingdom earned $6.4 billion in oil revenues; in the fiscal year 1974-75, Saudi revenues skyrocketed by 330 percent to $27.7 billion. During 1981, when oil prices peaked at $34 per barrel, Saudi Arabia's oil revenues were an astounding $102 billion. The kingdom was awash in funds.
> The embargo of 1973 set in motion a series of other significant developments within the petroleum industry, most notably the increased participation by OPEC countries in the ownership of oil-producing operations and their involvement in such downstream activities as refining, distributing, and marketing.[81]

Needless to say, limitless opportunities were created in Kuwait, Iraq and Saudi Arabia. In addition to needing manpower to handle the new responsibilities of their oil-producing operations, these countries needed workers for their economic development, mass construction and industrialization projects, which were launched after 1973.

The rise in oil prices ushered the economies of Iraq, Kuwait and Saudi Arabia through the complete cycle of capital accumulation quickly. These countries accumulated extremely large surpluses in a short amount of time. Despite their initiation of massive plans for national industrial and economic development, these countries found it difficult to absorb additional expenditures domestically, practically accumulating money faster than could be spent. As is natural with the conclusion of the cycle of capital accumulation, the surpluses are in need of a new location to be placed. Arab oil surpluses were no different, and were in pursuit of the next stage after the cycle of capital accumulation has ended, foreign investment. Thus, the term “surplus petro-dollars” was born, which provided the starting base for the large-scale economic aid to the developing nations of Asia and Africa.[82]

Arab aid was channeled through a large number of outlets, with the majority being in the form of direct government-to-government grants and loans, while some of it was offered through newly formed institutions, such as, the Islamic Development Bank, the Arab Bank for Economic Development in Africa, the Saudi Fund for development, and several other newly established funds. Another part of this aid was contributed to the well-established international agencies, frequently sponsored by the United Nations. Arab aid also co-financed projects jointly with non-Arab sources, established joint companies in foreign countries, and provided banking and financing services such as guarantees, underwriting, etc.[83] Prior to 1973, the volume of Arab aid was relatively modest, primarily limited to grants and loans which Kuwait, Libya, and Saudi Arabia provided to Jordan, Syria, and Egypt, and in 1972 the combined economic aid amounted to about $700 million.[84] “In 1974, the combined total Arab aid was estimated to equal $5.3

billion, according to OECD figures. In addition to that, the Arab countries contributed $1.7 billion to the I.M.F. oil facility. In the following year, the aggregate Arab aid increased to about $6.6 billion, plus a contribution of $2.8 billion to the I.M.F."[85]

Arab foreign aid differed in many ways from that of other countries and groups. Firstly, the amount of aid provided by the oil exporting Arab countries is essentially unsurpassed, even by developed countries. Thus, in terms of percentages of the G.N.P. offered in foreign assistance, the aid provided by the Arab countries has been very likely ten times larger than the aid supplied by the developed nations.[86] Secondly, Arab aid differed from that of Europe or the United States given to poor countries or countries under reconstruction, in that it was not a flow of real resources, like industrial or agricultural goods but financial resources.[87] Arab aid was essentially a flow of money simply because the Arab donors, themselves being underdeveloped nations, did not have industries and therefore could not offer industrial goods.[88] Thirdly, Arab foreign investment was purely regional, mainly because Arab donors were looking to utilize it in order to establish cultural-ideological links for political purposes. Apparently, Arab donors had the awareness that "the presence of foreign investment creates cultural-ideological links with the countries providing this capital".[89]

KUWAIT

For example, Kuwait, the first and the largest Arab donor of foreign aid, established the Kuwait Fund in December 1961, shortly after gaining independence for both political as well as economic purposes. Kuwait had hoped that by creating the fund, it would establish a link of solidarity with neighboring Arab countries by channeling surplus funds to them, thus, establishing closer economic relations, as well as its membership in the Arab League.[90] "The experience of the fund very clearly demonstrates that during that period Kuwait proved to be one of the most generous donors of economic aid, both for development and also for humanitarian purposes."[91] "Between 1961 and 1973, the Kuwait foreign aid represented, on the average, about 15 to 20 percent of its annual budget, and about 7 percent of the G.N.P. . . . Nonetheless, during those twelve years, the fund loaned KD 106 million to twelve Arab countries for over thirty different projects. Obviously, the scale of operations of the fund increased very significantly after 1973, followed quadrupling of the prices of oil.19"[92]

IRAQ

Iraq, being a country with high population growth and density, was basically not a surplus country to the degree of Saudi Arabia and Kuwait. Consequently, Iraq had great needs of its own economic development.[93] However, this is not to suggest that Iraq had limited participation in the aid programs. Iraq has participated in providing aid as well, however by the middle 1970s, the amount of aid it provided was reduced, but still employing a percentage of G.N.P. higher than most developed countries.[94] For example, "The volume of foreign assistance decreased from $440 million in 1974 to $250 million in 1975 and to $120 million in 1976".[95] Iraq channeled its foreign aid through the region to the Arab countries as well. Approximately 90% of Iraqi aid was given to Egypt, Syria and Lebanon.[96] In 1974, the Iraqi Fund for Foreign Development was established to "concentrate its activities on Arab countries and should give priority to those projects that would contribute to closer economic cooperation and integration between the Arab countries."[97]

SAUDI ARABIA

Saudi Arabia was one of the top Arab donors of foreign aid, which began in 1973. "In relative terms (as percentage of the G.N.P. contributed to foreign aid) Saudi Arabia has been exceeded only the United Arab Emirates and Kuwait. In absolute terms, only the contributions provided by the United States have been larger than that supplied by Saudi Arabia."[98] In 1973, Saudi Arabia provided approximately $335 million in foreign aid but in 1974 the volume of Saudi aid increased to around 5 times that amount and equaled nearly $1.6 billion.[99] "This was followed by a subsequent increase to $2.5 billion in 1974 and to $2.8 billion in 1975."[100] The Saudi government gave "to the World Bank (almost $1 billion in 1974) and also to the Islamic Development Bank, to which it subscribed 27 percent of its initial capital."[101] Saudi Arabia also generously granted credit to the I.M.F. Oil Facility in 1974, 1975 and 1976 in the respective amounts of $654 million, $1,150 million and $848 million.[102]

Like Kuwait and Iraq, the recipients of Saudi Arabia's aid from 1973 to 1976 were Arab countries. During these years, 90 percent of the concessionary aid was of the bilateral character, while only about 10 percent was multinational, with Egypt being the main beneficiary of the concessional bilateral aid, receiving about 50 percent, while Jordan, Syria and Yemen also received significant volumes of Saudi assistance.[103] Most of the financial aid granted to Egypt and Syria was of the program type with loans to other countries being granted for specific projects, which had to be approved by the Ministry of Finance. Program financing required the approval of the Council of Ministers.[104] It is strongly suggested that Saudi Arabia used this aid, especially with Egypt and Syria, to establish links in the region of a political nature. In general, "over 80 percent of Saudi aid was granted to countries directly engaged in confrontation with Israel, namely, Jordan, Egypt and Syria."[105]

In 1974, Saudi Arabia created a special agency called the Saudi Development Fund (S.D.F.) to provide an additional channel for the flow of foreign assistance to countries based on solid economic consideration, while continuing to provide financial assistance based on political considerations.[106] During the Fund's first fiscal year, loans were granted to Egypt, Tunisia, Uganda and the Sudan to cover repairs to the Suez Canal, an irrigation project and an agricultural development plan. Loans also went to Mali, Malaysia and Indonesia.[107] "As far as the distribution of all loans granted and committed was concerned, it was channeled to infrastructure (45 percent), agriculture (41 percent), and health and education (14 percent)."[108]

Foreign aid programs were started by the oil exporting Arab countries for both economic and political reasons. Economically, first these countries had to find places to put the excessive capital surpluses in response to the end of the cycle of capital accumulation. Secondly, it is believed the oil exporting Arab countries wanted to offer relief to the developing Arab and African nations whose balance of payments were severely impacted by the quadrupling of oil prices, to foster regional economic integration.[109] "In addition to those purely economic considerations, there were many political elements involved in the decision to offer assistance to the developing nations."[110] Once again, an example is present of how the presence of foreign investment can be used to establish cultural-ideological links. Andre Simmons, in his book, Arab Foreign Aid, beautifully draws a connection between foreign investment and ideological linkages, when addressing the non economic motives behind Arab foreign investment. He writes, "It is generally believed that, following the October 1973 war, the Arab nations tried to mobilize the world opinion behind their policy of confrontation with Israel. They attempted to mobilize it within the United Nations and also on any other conceivable political forum. It was expected that the flow of economic aid will help establish not only closer economic contacts, but also closer political relations between the donors and the recipients of the aid."[111]

Simmons' analysis states that OPEC members believed that the increasing economic power stemming from the surpluses of the petro-dollars would help them to increase their political influence on international diplomacy and the links established by Arab economic assistance would transform into solid political links in international relations. He concluded that Arab nations succeeded in forging stronger links with the African and Asian nations, and furthermore, also succeeded in exercising much stronger influence in the international politics.[112] He also adds that another goal of Arab foreign aid policy was to establish links and increase solidarity between Third World nations. This aspect of Arab foreign aid policy received whole hearted approval from the United Nations especially since it was a policy long promoted by its various agencies. However, Arab aid to the African nations, from the Arab point of view, was aimed at promoting Afro-Arab unity.[113]

As early as the 1960s, African countries consistently advocated a policy to forge close links with the Arab League and with the Arab nations in general. The sub-Saharan African countries have also tried to form solid links with the Arab countries in North Africa. Because those North African Arab countries were part of the larger Arab world, most African leaders believed that serious efforts should be made to forge an Afro-Arab community based on permanent, solid, and effective foundations.[114] At the Afro-Arab Summit Meeting in Cairo, March 1977, the leaders of over sixty African and Arab nations pledged to strengthen their bonds by developing a multitude of specific projects and programs, based on joint effort. In addition, Saudi Arabia, Kuwait, and the United Arab Emirates offered $1.5 billion in economic aid to the sub-Saharan African nations.[115] According to Simmons, this Afro-Arab unity was based not only on political proclamations or speeches made at international gatherings but on solid facts. Simmons cited a study, that “while discussing the basis for the Afro-Arab cooperation, stressed the fact that ‘more than 60 percent of all Arab people live in Africa and about 50 percent of Africa’s population is Arab.’ Thus, both the Arab and the African countries looked upon the Arab foreign aid as a symbol of Afro-Arab unity and also as a cornerstone that would enable them to join their efforts and to build collectively an effective base for their future economic, social, and political progress."[116]

1973 AND REGIONAL ARAB MIGRATION

Given the amount of wealth that was now flowing through these countries, there was increased demand for menial labor. When 'the Saudis announced their very ambitious Development Plan for 1975 through 1980, with planned government expenditures of $142 billion, the planners projected that the total labor force would have to rise by 700 thousand, including an additional one half million foreign workers."[117] This need for foreign workers was ideal for those poor Arab countries surrounding the Gulf-oil states. Many states such as Egypt, Jordan and Yemen had such high unemployment rates, that migration alone lowered them.

The Gulf States were highly attractive to these migrants because it allowed them to only have to focus on adjusting to the local customs of their immigration center. Because all of the Arab states, were at one time part of the Islamic Empire, from which much of Arab culture, religion, language and identity blossomed, the adjustment for foreign workers to their new society was minimal. They did not have to learn a new language and for most they could continue their Islamic religious practices. Although there were also large numbers of Asian foreign workers going to these states to work as well, the Arab language, culture and Islamic religion were also likely deterrents for many outside of the region to migrate for these economic opportunities. As a consequence, large scale Arab migration from the late 1960s to the early 1990s was characterized as regional. The other important characterization of this regional Arab migration is that it was temporary as well. When Kuwait, Iraq and Saudi Arabia began developing their economic and social programs, all of them were quite consistent with establishing benefits that were only available to its citizens. Migrants lacked rights of citizenship, land ownership and voting rights, in the case of Kuwait, the right to be notified before being deported. Arab migration during this time, made obvious the difference between foreign worker and citizens. Besides, foreign workers sent their money back to their countries of origin also with the hope of returning and the dream of living well from the earnings obtained in the foreign Arab country.

Kuwait, the first of the three countries highlighted for this study to import foreign labor and expand its petroleum industry, had the highest proportion of foreigners, at times being higher than its native population. Reaching 78% in 1980, the proportion of foreigners in the labor force was greater than the total population and estimates published in 1982-83 suggested that at least 60% of the population and 80% of the labor force was foreign, with Arabs dominating the foreign labor force, accounting for nearly four fifths.[118] In 1983, the Kuwaiti population numbered 635,000 while the number of foreign Arabs was about 800,000. The majority of Arab foreigners were Palestinians-Jordanians numbering 300,000 - 400,000 and Egyptians, accounting for 250,000.[119] "Within the labor force the disproportionate number of foreigners is even more marked: 125 thousand Kuwaitis (mostly in government jobs); 400 thousand foreign Arabs; and 125 thousand non-Arabs, mainly Asians. The Jordanians-Palestinians were largely skilled and professional people. Amongst the Egyptians many were engaged in the medical professionals and in teaching; most were occupied in 'menial labor'."[120]

Saudi Arabia, according to a October 15, 1983 New York Times report, was believed to have had an estimated Arab foreign labor force made up of one million Yemenis, 400 thousand Egyptians, and 100 thousand each from Jordan, Lebanon and Sudan.[121] Also according Kanovsky, another report published in 1983 implied that the number of Egyptians working in Saudi Arabia was 800 thousand, twice the number from the New York Times report. He also suggested that whatever the actual figures were, it was obvious that Saudi Arabia was overwhelmingly dependent on foreign labor and that it rose sharply during late 1970s to the early 1980s.[122] Iraq received a mass influx of foreign labor on the eve of the Iran-Iraq war in 1980, by 1983, it was suggested that 1.2 to 1.5 million Egyptians were working in Iraq.

Once the capital surpluses were generated with the 1973 oil price increase, the flood gates of migration flew open for those incorporated into the Arab countries' transnational space in response to the foreign investment. Not only did human capital become extremely mobile in this space but financial capital also, in the form of remittances.

EGYPT

Remittances sent home by Egyptians working in the Arab oil exporting states rose from $455 million in 1975 to $2.8 billion in 1980, or from 17% to 30% of total exports of goods and services. At the time of this 1984 report, some observers believed that the actual savings of Egyptians working abroad was much higher.[123] There was a decline in remittances in 1981 and 1982 which is attributed to the uncertainties arising from the assassination of Sadat in October 1981 and the widening of the gap between official and black market exchange rates.[124] There was a sharp rise in remittances in 1983 to over $3 billion, as compared with exports of goods and other services of about $5 billion. (Remittances represent payment for the export of labor services).[125]

JORDAN

Remittances in 1982 for 300 thousand Jordanians working abroad were $1084 million. This figure reflects that which appeared in the official accounts including only those transferred through Jordanian banks.[126] Since 1972, the Jordanian economy grew rapidly. The exports of goods and services (excluding remittances) increased substantially in 1982. Meanwhile, remittances also rose very rapidly from 21% of total exports in 1974 to one third in 1978 and 30% in 1982.[127] However, these figures tend to understate the importance of remittance since they are only those sent through official channels. With Jordan, remittances were extremely important. In 1982, the Jordanian economy had a gross domestic product of less than four billion dollars, with an inflow of over one billion dollars from remittances; possibly more when including those entering through unofficial channels.[128]

NORTH YEMEN

With between 600 and 740 thousand abroad, the inflow of remittances was overwhelming for North Yemen, considering the small size of its economy. North Yemen averaged close to one billion dollars per year since 1977 and likely much more through unofficial channels.[129]

> The official reports indicate that remittances accounted for 75-90% of total exports of goods and services during the past decade. North Yemen also received grants – mainly from Saudi Arabia – rising from somewhat over one hundred million dollars per annum in the mid-1970s to close to $400 million per annum in 1981-82. The huge increment in foreign currency receipts stimulated boom conditions in the country which are reflected in the sharp rise in imports (goods and services) from less than $300 million per annum in 1974-75 to $2.2 billion per annum in 1980-82. The rise in imports was of such magnitude that there were balance of payments deficits (the current account) in 1979-82, as compared with surpluses in earlier years. Concessional loans appear to have covered part of the deficit, but foreign exchange reserves declined precipitously from a peak of $1447 at the end of 1978 to $539 million at the end of 1982, and $314 million in November 1983.[130]

SOUTH YEMEN

Like North Yemen, South Yemen received huge inflows of remittances hence, incomes and imports were raised sharply. In 1974-75, remittances were around $50 million per year, increasing to $375 million per year in 1980-81.[131] "Between 1977 and 1981 remittances accounted for over two thirds of foreign currency earnings. Imports (goods and services) rose from somewhat over $200 million per annum in 1974-75 to $850 million per year in 1980-81."[132]

In examining the sizeable remittances coming from the oil exporting states combined with the large numbers of workers who migrated, it is obvious that immigration policy in the region had been fully liberalized. For example, "Iraq lifted all requirements, except for a valid passport, for the entry of Arab workers; in the late 1970s it became the largest importer of Egyptian labor."[133] One fascinating example of its liberalization is reflected in the case of North Yemen. North Yemen, one of the least developed Arab countries, suffered negative effects on its internal economic development, due to the massive exodus.[134] "In order to ameliorate the shortages North Yemen was importing labor from Egypt, Pakistan, Somalia, and Sudan."[135] This example also reflects the point that Sassen makes which infers that the pool of foreign laborers, formed in response to foreign investment, migrates in spite of the economic growth occurring in its homeland. However, one barrier not removed by the liberalization of immigration policy in the Middle East was blocked citizenship. All migrant workers, Arab or non-Arab alike, in this transnational space were given temporary worker status, and only in the rarest of cases were they granted citizenship.[136] They were required to renew their work permits regularly and to change jobs required official sanction. In spite of the fact that many of the workers lived in these countries for a generation or more and were even born there, their legal status was temporary. This status provided them very few benefits and privileges which forced them to concentrate on increasing their savings as rapidly as possible before they voluntarily, or involuntarily, return to their homes.[137] This barrier is one that proved to be detrimental to the region, as a result of the 1991 Persian Gulf War.

Undoubtedly, the Arab oil exporting countries became the agents globalizing the Middle East region, which began after 1973. When examining the modern history of the states of the Arabian Peninsula or Gulf region it is obvious that the petroleum industry not only triggered the increased global integration into the world economy but also the mass movements of foreign workers in the Arab Middle East. Elias T. Ghantus, in his book, <u>Arab Industrial Integration</u>

provided an account of economic activities which had occurred in the Arab Middle East by the early 1980s.

> The central idea that needs to be highlighted here is that economic development in the Arab region is at the start of a new phase prompted by the regional availability of capital surpluses. The oil industry, which is highly integrated with the industrialised countries, is not only propelling growth in the Arab region but also generating ample financial resources to accelerate the pace and correct the direction of economic development. Despite the spread of consumerism in the oil countries, it is comforting to observe that they are responding to the recent increases in oil revenues with greater responsibility and determination than at first anticipated. Their stated priorities for investing the oil revenues are to absorb as much as possible domestically and to invest the surpluses in the other Arab and developing countries as well as in the industrialised countries. Indeed, they have not only embarked on extensive programmes for economic and social development, but also institutionalised the flow of loans and aid to Arab and other developing countries and showed greater appreciation of the need to 'recycle' a part of the petro-money to the major oil consumers, in the interest of world economic and financial stability.
>
> In response to the emerging situation, most of the non-oil-producing Arab countries adopted policy measures to encourage the inflow of capital and attract investments from abroad. In some cases amendments in foreign investment laws were introduced, giving preferential treatment to investments coming from other Arab countries or at least treating these investments as national investments with respect to tax exemptions and other concessions. This is specifically the case of Egypt and to a lesser extent Syria. Unlike Egypt, Syria has not embarked on any large-scale 'open door' policy. At the same time, the non-oil-producing countries had to face the outflow of some of the labour skills they have to the oil-producing countries where the levels of wages are much higher. Although this generated foreign exchange remittances to the labour supplying countries, and helped to ease the balance of payments position, it entailed a social cost. It is known that many of the best-qualified people in Egypt, Syria, Lebanon and Jordan have left to work in the richer oil countries. This deprived the supplying countries of crucial skills which have cost a great deal to develop over the years and are now needed for development. However, in the case of Egypt this effect must be viewed together with a positive one arising from the decrease of population pressure on domestic resources, including food and infrastructure.[138]

His account detailed a number of processes tied to globalization and global economic and migratory integration. He explained the actions taken by the Arab oil-producing countries to encourage and support economic development in the lesser developed non-oil producing Arab countries. In it, we see global activities such as foreign investment and finance, legislative and policy developments to attract capital. Although these oil countries conducted many cross border transactions with the United States, Soviet Union and other industrialized nations, the foreign investment and migratory patterns were regional, which ultimately became responsible for the regional economic development and integration.

This account provides the perfect example of the role that foreign investment plays in the formation of a labor market and migration. Applying the mobility of capital concept of Saskia Sassen, which suggests that "Increased mobility of capital has distinct effects on the formation of labor markets and the regulation of a global labor force"[139] to Ghantus' account of economic activities involving foreign investment by the Gulf-oil countries in the non-oil producing Arab countries, provides us with the "scientific" explanation as to why this large scale Arab migration was regional, in additional to the cultural pull of the region. Concrete examples on the formation of labor markets in relation to capital mobility are plentiful in this Middle East case study. Kuwait was the first country to develop its petroleum industry and the earliest to conduct foreign investment. As a consequence, a labor market was formed and Kuwait was the first to receive migrant workers from the recipient countries of its foreign aid which occurred shortly after the time the foreign aid began. It is also clear that other countries' labor markets were formed accordingly. Saudi Arabia, of the three countries profiled, was the largest provider of aid to the Yemens. Naturally, Saudi Arabia also had the largest number Yemeni migrant workers. Additionally, several political and economic links were established by the liberalization of social, economic and political policies, through the Arab League, Arab Common Market and OPEC. Consequently, a transnational space was created within the Arab region long before the capital was available and mobile. The globalizing functions led to a new Arab social order and a growing interdependence, linking the Arab World more closely, socioeconomically, than at any other time in its modern history.[140]

> The linkage …dramatically manifested in the flow of manpower and money (in opposite directions) across Arab state borders at levels and magnitudes never precedented in the last few centuries. With such two-way flow, there are more subtle flows of ideas, attitudes, new consumption patterns, and attempts as intergovernmental political influence; and the flow of fears, potential military threats, upheavals, and socio-political destabilization. These subtle flows are also at levels and magnitudes never precedented in modern Arab history. Observers may debate what is 'negative' and what is 'positive' in these intense interactions within the new Arab order, but they can deny neither their reality nor their magnitude.
>
> We call this reality a new Arab social order, and we assess its magnitude as a growing Arab interdependence.[141]

This new Arab social order, consisting of extreme social/economic integration, was short lived.

1991 PERSIAN GULF WAR AND ITS IMPACT ON THE NEW ARAB SOCIAL ORDER

The 1979 Islamic Iranian Revolution and a major drop in oil prices during the 1980s brought major challenges to the new Arab social order, straining inter-Arab relations. The reduction in surpluses stemming from lower oil prices forced the oil producers to try to reduce their labor imports, and even return some of the workers. This situation brought tension to Arab brotherly relations. Also, shortly after Saddam Hussein came to power, Iraq was engaged in an eight year war with Iran to contain its radical Shiite Islam, which the Ayatollah Khomeini was desperately seeking to franchise in the Arab countries. The Iraq-Iran War, which began in 1980, had devastating effects on Iraq, especially its economy and was considered by some, a crippled nation.[142] The estimated cost of reconstruction was placed at $230 billion and "even if one adopted the most optimistic (and highly unrealistic) assumption that every dollar of oil revenues would be directed to the reconstruction effort, it would require nearly two decades to repair the damage."[143] One year after the end of the war, Iraq was unable to deal effectively with its mounting financial obligations. "Iraq's $80 billion foreign debt was extremely disturbing for Hussein, since repayment arrears and the consequent reluctance of foreign companies and governments to extend further credits implied that economic reconstruction, on which Hussein's political survival hinged, would have to be shelved."[144] Given the Iraqi leader's commitment to his political and self preservation, he resorted to desperate measure by squeezing out of Iraq two million migrant workers, mainly Egyptians, and slashed the remittances they were allowed to send home, in an effort to reduce expenditures and to secure jobs for the first demobilized soldiers returning to the labor market these measures were to no avail; the burden remained unabated.[145]

Saddam Hussein had pressured the Kuwait and Saudi Arabia to forgive their loans to Iraq, expressing to them that his defense against the fundamentalist Islam of Iran was on behalf of all the eastern flank of the Arab world and that although they were not asked to pay in blood, they could not expect a "free ride" on the heroic struggle of Iraq.[146] When this tactic failed to bring about the desired results, Iraq placed more pressure on Kuwait by accusing Kuwait and the UAE of having "implemented an intentional scheme to glut the oil market with a quantity of oil that exceeded their quotas as fixed by OPEC".[147] Shortly after, Iraq invaded Kuwait.

Iraq's conflict with Kuwait had devastating effects on the region and the new Arab social order due to the intense integration of the Arab economies and labor market. This conflict employed a spirit of divisiveness amongst the Arabs. The conflict forced the Arab countries to take a stand regarding whose side they supported. Consequently, those not agreeing with Saudi Arabia or Kuwait suffered dire consequences, due to the degree of interdependency of the region, as in the case of Yemen and the PLO.

NORTH AND SOUTH YEMEN

Together, North and South Yemen provided Saudi Arabia with up to one million workers with their remittances making up for over 40 percent of the G.D.P. of both countries.[148] Also, both countries were recipients of generous amounts of foreign aid for economic development from Saudi Arabia. On the eve of Iraq's invasion of Kuwait, in May 1990, North and South Yemen became unified states of the Republic of Yemen. In dealing with the challenges of consolidating two countries, Yemen was confronted with the Iraqi invasion of Kuwait. Yemen attempted to remain neutral, in light of its newness as a unified state, by failing to condemn the invasion and by withholding its support from the decision to send Arab forces to join the coalition.[149] "This stance prompted Saudi Arabia to begin expelling Yemeni workers, and in the months that followed some 800,000 of them returned to Yemen. The Gulf states followed Saudi Arabia's example, expelling an additional 50,000 Yemeni workers."[150] Not only did the new unified state face the extreme challenge of accommodating a sudden population increase of 1 million people, but it also lost its remittance revenue, along with the financial assistance programs provided by the Gulf States. [151]

PLO PALESTINIAN WORKERS and JORDAN

Initially, the PLO supported Iraq in the early stage of the crisis. This decision severely impacted Palestinians working in the Gulf States. Before the Iraqi invasion, "Kuwait had been home to a relatively prosperous Palestinian community numbering around 400,000; by the time the war was over, 350,000 Palestinians had fled Kuwait, and those who remained were subject to harassment for allegedly cooperating with the Iraqi occupiers".[152] When Iraqi soldiers invaded Kuwait, many Palestinians were alleged to have participated in the looting of Kuwaiti businesses with the soldiers. Naturally, these activities fostered resentment among Kuwaitis toward the Palestinians. The PLO lost its foreign aid from Kuwait and Saudi Arabia. Remittances flowing to Palestine were cut off because the Palestinians fleeing Kuwait lost their homes and livelihoods. Needless to say, for Palestinians much had to be left behind, without the hope of retrieval, due to the circumstances surrounding the 1991 Persian Gulf War. "Following the Gulf War of 1991, the PLO entered a period of political and economic disarray. As its funds dried up, the organization was forced to close offices and cultural centers and to dismiss large numbers of functionaries. Yasir Arafat's tilt toward Iraq cost the organization dearly and led to criticism of his leadership."[153]

While some Palestinians who sought refuge from Kuwait returned to the West Bank and Gaza Strip, the majority fled to Jordan and remained there. This created an unsettling economic and social impact on the country. [154] "The vast majority of refugees could not find employment in Jordan, and Jordan could not provide them with adequate relief assistance. As a result, several thousand uprooted Palestinians were once again forced to dwell in UN-sponsored refugee camps. The flood of refugees increased the Palestinian majority in Jordan and raised concerns among Jordanian officials that their country was becoming a surrogate Palestinian homeland."[155] The Jordanian economy and society was hit extremely hard by the Gulf conflict. "Jordan has been described as having the world's only non-oil producing oil economy. This is a reference to the performance of the economy during much of the 1970s and early 1980s when some for-fifths of gross domestic expenditure was estimated to have derived from Jordanian exports to neighboring Arab oil producing countries, from direct grants and budget support loans from these nations and their aid institutions, and from remittances from Jordanians working in the Gulf."[156] Jordan's economy was so closely linked to Iraq that the U.N. sanctions again Iraq literally brought the Jordanian economy to a halt. Jordan was one of Iraq's largest recipients of foreign aid. "Jordan, for example, received over $200 million from Iraq in 1979, more than it received from either the United States or Saudi Arabia. . ."[157] "Crown Prince Hassan announced that the effects of Gulf War on Jordan could be summarized in three dimensions: the trade sanctions against Iraq, the refugees who fled the Gulf area and passed through Jordan, and the Jordanian expatriates who returned to Jordan."[158] When the crisis occurred, estimates on what losses would occur due to the conflict were believed to be massive. Jordan's Prime Minister at the time, Mudhar Badran, estimated Jordan's total loss at $8 billion, but added that "while Jordan's exports to other Arab countries were $485.7 million in 1989 and had increased by $42.8 million in the first half of 1990, they had since decreased gradually after August 2, 1990 reaching zero at the end of 1990 and the first 3 months of 1991."[159]

IRAQ

For Iraq, the invasion of Kuwait was a disaster. "The Iraqis achieved none of their initial goals. Rather than enhancing their economic, military, and political position, they were economically devastated, militarily defeated, and politically isolated."[160] "The United Nations Security Council and the Arab League immediately condemned the Iraqi invasion. Four days later, the Security Council imposed an economic embargo on Iraq that prohibited nearly all trade with Iraq."[161] The economic sanctions would have a debilitating effect on the country, literally taking it from a first world country to a third world country in a relatively short period of time. Undoubtedly, of all of the Arab countries, Iraq was by far the most technologically advanced. Iraq's capital surpluses went from $3 billion in 1977 to an estimated $20 billion in 1980 prior to the war with Iran.[162] "Because of the large surpluses Iraq accumulated in the latter half of the 1970s and because the government wished to diversify its economic and political relationships and obtain Western technology in order to increase the productivity of its labor force, there was a pronounced shift in Iraq's trading patterns."[163] Trade sanctions against Iraq had a major impact on the country because it had become fully integrated into the global economy, conducting cross border transactions with multiple countries and transnational corporations.

> "The Soviet Union was Iraq's largest trading partner in 1973, but by 1975 it provided less than 10 percent of Iraq's imports. In 1978 some 75 percent of Iraqi imports originated in OECD countries, primarily Japan, West Germany, France, and Italy, while 73 percent of Iraqi exports were purchased by OECD countries. The United States exported to Iraq goods worth $442 million in 1979, $724 million in 1980, and $914 million in 1981. Large though it is, the last figure accounted for less than 5 percent of Iraq's total import spending in that year. A number of American companies—among them Boeing, Lummus, John Deere, International Harvester, IBM, and Caterpillar—profited from these development expenditures. Although Iraqi purchases had declined substantially by the second year of the war, (Iran) the trend toward using Western technology, expertise, and products had accelerated."[164]

Iraq's global economy and labor market for foreign workers was destroyed. Naturally, living conditions changed drastically for Iraqi citizens. In addition to surviving the devastation of the Persian Gulf War, it was the aftermath of the war that has made the greatest negative impact on this country. After the allied coalition declared victory over Iraq, rebellions in the north and south of Iraq took place which had been incited by American President George Bush. The Kurds in the North and the Shi'a in the South took over many towns in their respective areas. When the allied forces refused to assist the rebels, eventually the rebellions were crushed by the Iraqi government troops. Consequently, nearly 2 million Iraqis fled the country as refugees, with an addition 600,000 internally displaced. Over 300,000 were believed to be killed and as recently as November 2003, mass graves were discovered as evidence of these atrocities. Under U.N. sanctions since the Persian Gulf War and the harsh regime of Saddam Hussein, the loss of finances and lives of the people of Iraq is impossible to quantify.

KUWAIT

The invasion brought about social, political and economic upheaval to the country. Foreign workers were expelled and the foreign labor market which Kuwait so heavily depended on was destroyed. Iraqi troops destroyed public buildings and hotels and looted during their temporary occupation of the country.[165] During the entire ordeal, the ruling family reputation and credibility suffered, bringing disarray to the governing order of the country once the Iraqi troops retreated. Before the Iraqis retreated, they dynamited 950 or 85% of Kuwait's oil wells, leaving to burn nearly 2 million barrels of oil per day. These fires were extinguished mostly within one year; oil production was totally restored to capacity by 1993. Kuwait spent $16 to $20 billion on the war and $65 billion on reconstruction. The lack of revenue for two years forced the country to liquidate nearly $100 billion it had invested abroad, in order to cover a series of deficit budgets to maintain its social services, a practice that could not go on indefinitely.[166] It is apparent that the war was responsible for destroying Kuwait's relations with its neighboring countries, its labor exporters, its global economy and foreign labor market.

SAUDI ARABIA

"From 1986 to the late 1990s, prices (oil) remained at less than $20 (per barrel). This decline in oil prices affected all petroleum-producing countries, but it had a particularly devastating impact on the Gulf States, which were almost entirely dependent on oil revenues, and an even greater impact on Kuwait and Saudi Arabia because of their responsibilities for Gulf War-related costs that totaled nearly $100 billion." [167] The direct costs of the war for the Saudis have been estimated at $55 billion, a sum that was financed, as in Kuwait, by liquidating foreign investments.[168]

CONCLUSION

When the crisis in the Gulf developed, with the Iraqi invasion of Kuwait, it limited the mobility of capital in the Arab region and destroyed the regional Arab labor market. The Gulf conflict of 1990-1 was not only responsible for displacing two to three million Arabs from these Gulf States but also forced many Arabs from the region into the international community, thus globalizing the Arab migrant.

> At the beginning of the Gulf crisis in 1990 there were 1.1 million foreigners in Iraq, of whom 900,000 were Egyptians and 100,000 Sudanese. Kuwait had 1.5 million foreigners: two -thirds of the total population. The main countries of origin were Jordan/Palestine (510,000 people), Egypt (215,000), India (172,000), Sri Lanka (100,000), Pakistan (90,000) and Bangladesh (75,000).
>
> The Iraqi occupation of Kuwait and the subsequent war led to mass departures of foreign workers. Most Egyptians left Iraq, hundreds of thousands of Palestinians and other migrants fled Kuwait, and perhaps a million Yemenis were forced out of Saudi Arabia when their government sided with Iraq. An estimated 5 million persons were displaced, resulting in enormous losses in remittances and income for states from South-East Asia to North Africa.[169]

Most of the foreign workers were returned to their home country or country of family origin, in the instance of the children considered aliens born of parents who were foreign workers with alien status. Consequently, most of the home economies have been unable to efficiently support these returnees. Palestinians, Jordanians and Yemenis have faced some of the most difficult times reintegrating into these countries, as forced repatriates.[170] Some have moved to various countries such as the United States, Germany, Denmark, Britain, Australia and Canada. In addition to these displaced foreign workers, Iraqis became refugees, many being placed outside of the Arab region, because of extra places in the United Nations' refugee and special humanitarian program which were allocated to Middle East refugees. Through this program, for example, in 1991-2, Australia accepted 2000 Iraqi refugees. According to a profile I obtained from the Australian Embassy in Iraq on "The Iraq-born community in Australia." a greater proportion of the later arrivals have been under the family migration and skilled migration categories. By the end of the Gulf War in 1991 the size of the Iraqi community in Australia was 5,186, compared to 4,516 in 1986. At the last census in 2001, the community had grown to 24,819.

To document all of the locations and the number of Arabs which have migrated outside of the Arab Middle East since 1991, is a tedious task. Presently, there is limited scholarship addressing the size of Arab populations around the world, since the Persian Gulf War. Statistics are available tracking large movements of Palestinian and Iraqi refugees since then but do not include the relocation of the people who were displaced, moving to other locations in smaller numbers or different times. In general, it is difficult to obtain reliable, detailed data on global Arab populations.

Arab migration is no longer a large scale regional process as it was in the 1970s and 1980s. With this dispersion of Arab workers around the world, modernization efforts in the poorer Arab countries which were gaining momentum were halted where efforts in the oil producing countries, with the exception of Iraq, were slowed until recently. Here we see that ironically, the de-globalization of the Arab economies led to a globalization of Arab migratory patterns.

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