Investigating the Rentier Governments’ Formation Factors in the Persian Gulf Region

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Abstract

Undoubtedly, oil is the most important and yet the most political commodity in today’s world. The phenomenon of Rent or Rentier or collector government was taken into consideration by researchers and scholars in politics and sociology, especially with the emergence of oil as a cause of creation of Rentier governments. Rent can be considered as some revenue that is not like benefit and wage and is not the result of economic activities; it is being achieved without effort and Rentier government is a government that more than 42% of its revenue comes from external Rents. Hence, most countries in the Persian Gulf due to their geographical location, over the past few decades, have experienced single-based economies, based on producing and selling oil and this issue has resulted in formation of Rentier governments in the region. This article seeks to demonstrate the geographical factors influencing the formation of Rentier governments and the impact of these governments (oil-based economies) on the geopolitical situation of regional countries (their political- spatial order and their geo-economical situation, competition of powers, regional convergence) and at the end it has concluded that despite the fact that oil- based economy (or oil revenue) has led to the development of agriculture in the Persian Gulf, but on one hand, it has led to competition between powers and expansion of militarism in the Persian Gulf and on the other hand, as a very important factor it has prevented formation of regionalism in this region.

Keywords: rent, Rentier government, political geography, Persian Gulf, and geopolitics

1. Introduction

Rent, is any income or reward or earnings that is not the product of generating work and labor. The term Rent, was first raised by Hossein Mahdavi, an Iranian economist, in 1970 (Mahdavi, 1970, p. 3). Although this term, had been raised before 1970s, by authors such as Adam Smith, David Ricardo and Lenin, but proposing the theory of Rentier government and its function in political economy, was initially raised by Mahdavi and then by other economists such as Hazem Beblarri, Giacomo Luciani and Mahdavi’s idea, emerged in the form of a reference theory, in the field of political economy. One of the founders and exponents of the theory of Rentier government in the Middle East, is Iranian scholar, Muhammad Ali Katouzian that initially in the book entitled "Iran’s political economy" and then, in the book entitled "conflict between Iran’s government and its people" talked about the functioning of Rentier government and applied this theory in the case of Iran in the second Pahlavi era. In general, based on the Rentier government theory, there is a great connection between oil revenues on one hand and the government’s inability in equitable distribution of revenues and compliance with democratic rules on the other hand. Here the great connection means that the cause of an issue is a specific factor or input, so that by eliminating that factor or input, participation in the society and competition processes will follow another formula. This theory in analyzing situation, stability, and disorders of oil-rich countries (particularly countries around the Persian Gulf) emphasizes on the effects of external Rents on government’s structure and shaping the government’s relations with different classes of society. Lam and Wantchekon, from the Yale University, have also shown through their experimental studies that how underground resources can be effective in consolidation of dictatorial regimes. Moreover, William Ascher and Douglas Yates by utilizing the theory of Rentier government argue that government officials can easily pursue some of their informal and illegitimate objectives and adopt their desired economic and social policies, without considering the public interests, due to high revenues obtained from selling underground resources. The theory of Rentier government has also resulted in
creation of a hypothesis that has been raised in different forms, in the works of its proponents, such as Kiren Chaudhry and Philip Rawkins and Hazem Beblarri. According to this theory, the Rentier government, in exchange for not collecting taxes from the society, reaches to an implicit and unwritten agreement with people, and that is people relinquish their representation in the government or in other words, exchange their economic priorities with political priorities. Beblarri as one of the most important theorists of Rentier government, in this regard, believes that: Policy will disappear in the communities controlled by Rentier government and it won’t be discussed, as a serious subject, or even informally and in secret. Another important point that theorists of Rentier government mention about the correlation between incomes obtained from exporting and selling underground resources and democracy is the impact of reduction of incomes, on increasing the process of democratization in Rentier governments. These theorists argue that although under normal circumstances, Rentier governments are reluctant to increase in the independence of civil society and the development of democracy, but in the case of financial crises, the Rentier governments will support the liberation of political system and will encourage the civil society to increase their political participation.

Based on what we said countries around the Persian Gulf, despite all differences, should be considered as Rentier governments, based on geographical factors such as geography, agriculture, geopolitical and geo-economical situation. Due to the governance of Rentier structure, in the Persian Gulf the political systems particularly in Arabic countries are now under the command of the kings with tribal, familial and religious tendencies and thanks to the oil revenues leaders use these tendencies as the logic of politics and governance, for their own survival and survival of their governments; these governance systems has also led to ignoring interests of the society or the country, and restriction and even impossibility of participation by other layers of the society in the process of formation of political structure of these governments. At the same time because of governance of Rentier structure and continuous access to oil revenues, political disorder, inefficient governments, inappropriate distribution of power, internal disputes, inconsistency in the political system, political instability and insecurity have become some of obvious features of these governments and as a result, efforts to integrate and create a regional system encounters more difficulties.

2. Theoretical Frameworks of Research

2.1 Government

The word government is considered as a relationship and proportion, rather than being considered as a concept, and interpretation such as "government", "Sovereignty", "hegemonic power" or "hegemonic class" is misleading. Makiaveli is often considered as the first person who utilized the concept of government, in his writings entitled "the prince", in referring to a territorial government with sovereignty (McLean, 2008, p. 913). A government, is an independent country that is composed of a demarcated territory, and citizens surrounded by government which demands their loyalty (Glassner, 2004, p. 31). In the lexicon of human geography (2009) the government has been defined as: A focused collection of institutions which facilitate the exercise of power and the ability to govern a territory (Gregory et al., 2009, p. 22). With the withdrawal of informal dynastic governmental systems, and the transfer of sovereignty from the ruler to the separate national populations, territorial government as it is known in the contemporary political theory, was developed for the first time in early modern Europe (Taylor & Johnson, 1984, p. 100). The Peace of Westphalia in 1648, which put an end on 30 years of war between Protestants and Catholics, was a turning point in the evolution of government and for the first time in the Treaty of Westphalia the territorial government was officially recognized and the land became the basis of power hierarchy (Mir Heydar, 2005, p. 38). Later, three great political-historical events, has had a significant role in the evolution of modern government, and among them we can mention United States of America’s Revolution: 1776, French Revolution: 1789 and the Vienna Congress. Nationalism as a government building ideology which began in nineteenth century in Europe quickly spread around the world and created several governments which today we are observing their presence and influence in the political geography of the world.

2.2 Rent

In the economic literatures, Rent has been defined as revenue, in excess of the cost of lost opportunities. Also, extra earnings from a production factor, compared to the earnings of that factor, under perfect competition condition is called Rent (Heidari, 1996, pp. 44-43). Some economists believe that Rent is earnings from non-productive activities. From their perspective, the revenue which comes from natural resources is indeed rent, because unlike benefit and wage it is not the result of economic activities and efforts. According to Smith, the relationship between combination of prices of goods and Rent differs from their relationship with wage and benefit. High or low wages and profits will result in high or low prices, but high Rent is not the cause of high or low price, it is their outcome (Haji-Yousefi, 1997, p. 152).
So, Rent is the equivalent of what most of non-economists, consider it as exclusive profit and Rent-seeking person is a person who attempts to achieve opportunities to obtain Rent (Oil-based governments are among the world’s largest Rent-seeking countries which achieve a huge Rent through rationing and reducing their production). Often Rent is considered to be equivalent with financial corruption, although there are common aspects between these two, but corruption necessitates the misuse of public power in order to gain private interest and is an illegal act, while Rent, is not necessarily illegal or even immoral. Rent-orientation is only possible when there are some artificial restrictions in the access to the market and competition. The cause of these restrictions is the government, or the government may permit the private sector to create these restrictions or at least may not avoid them effectively. Anyway, Rent requires direct intervention by government in the free competition, such as involvement in the granting franchises (normative licenses and agreements) import rationing, tariffs and laws and regulations related to minimum wages. According to Weed, one of the characteristics of democracy is that it gives people freedom and participation right and the possibility of an alliance for distribution of franchises, and democratic governments promote Rent in a specific way, and it is not anti-democracy, but it is because of government’s strict limitations. So if Rent requires the possibility and the potential of success in the competition to gain the monopoly, then the range of social costs of Rent depends on the type and extent of this competition (Asuf, 1990, pp. 22-23). In other words, some of natural resources such as oil and gas, which are being exchanged on a global scale, are among those groups of goods, and their sales prices in the world market are much higher than their production and exploitation costs. So those governments which possess such resources often earn huge financial profits through exporting those goods.

2.3 Rentier Government

Rentier government is a government that receives a huge amount of its revenues from external resources in the form of Rent. In other words, a government is called Rentier when, because of specific reasons, it receives a direct income by selling goods and services at prices much higher than their production costs (Haji-Yousefi, 1998, p. 152). Mahdavi believe that, the distinguishing feature of Rentier government is that oil revenues that the oil producer and exporter government receives, have a minimal relationship with production processes in their domestic economies. In other words domestic economic data, except for raw materials, are not important. Some scholars have considered some quantitative criterion in order to distinguish Rentier government from other governments and any government that 42% or more of its revenue comes from external Rentsis called a Rentier government. Later in this study we are going to find regional geographical factors affecting creation of dictatorship and Rentier governments in this region of the world and it seems that the following factors have had a greater influence on formation of this type of governments.

3. Research Method

Because of great importance of the subject in the current situation, the main method of this researches analytical-descriptive and yet we have used deduction, on the large scale of Persian Gulf and its constituent countries. We have tried to use library information and documents, including major and valid foreign and domestic resources, such as resources in the fields of history, political geography, geopolitics, knowledge of international affairs, political science and historical sociology, in order to prove our approach in this article and to demonstrate how regional geographic and economic factors have been effective in the formation of dictatorial and Rentier governments. Also this research, has utilized from comments and opinions of experts in this field, in order to support scientific arguments. This research has been conducted in the framework of academic and positivist methodology and tries to benefit from scientific and rational arguments, and is trying to achieve, a holistic common regional conclusion, regarding formation of dictatorships and Rentier governments.

3.1 Geographical Situation of Persian Gulf

Persian Gulf region includes seven countries; Iran, Saudi Arabia, Iraq, Oman, Kuwait, United Arab Emirates, Qatar and Bahrain. This relatively vast geographic area, its most southern point is located on the orbit 16 degrees of north of the equator, in the southern parts of Oman and Saudi Arabia, and it has been expanded in 40 degrees north latitude of southern parts of the Caspian Sea in the territory of Iran. The most western point of this area is located on the meridian of 35 degrees and its most eastern point is located in the 64 degrees East of Greenwich meridian. Persian Gulf region has mostly developed in the 29 degrees latitude and has not developed in longitude very much; it is like a quasi-rectangular that has a minimum expansion at the top and at the base and a maximum expansion at the center. This region has a total area of 4428575 square kilometers, and by considering the Persian Gulf area, the entire size of the region, will be 4666048 square kilometers. This area is equal to 2/3% of all of lands in the world, and about half of the area of the United States. Persian Gulf, in terms of mathematical-geographical position, is located respectively at 24 and 30 degrees latitude north of the equator,
and 48 to 65 degrees and 25 minutes east longitude of the Greenwich meridian. Today, Persian Gulf has an area of approximately 237,473 square kilometers and it constitutes about 0.62% of all waters on earth’s surface (Measured by using hydrographic method by geographical Organization in 2007). It is the third biggest gulf in the world, after the Gulf of Mexico and Hudson Gulf. The width of Persian Gulf is between 200 to 300 kilometers (1000 to 1800 nautical knots). In the warm period of the year, due to the establishment of subtropical high pressure center of Azores, the Persian Gulf experiences a stable condition and this condition covers northern shores of the Persian Gulf, as well. Under such conditions the continental tropical air mass is being formed over Iran. Although this air mass is very hot and dry, inside Iran, but in the coastal strip throughout the region, despite hot weather, the relative humidity is high due to the proximity to the sea and sultry condition is a dominant phenomenon in the region (Alijani, 2002, p. 201). During the cold periods of the year, climatic conditions in the Persian Gulf, is influenced by west winds which bring humidity along with low pressure cyclones from the Mediterranean and sometimes from the Red Sea and leads to winter precipitations. All parts of the Persian Gulf and especially the southern regions have a relatively mild weather in the winters and the average temperature in January is about 17 degrees Celsius. Summers of northern parts of Persian Gulf (such as Iran’s coasts) are very hot and as we approach to the south (to the Tropic of Cancer) the severity of heat increases. The average temperature in July in the northern coastal strip is about 34 degrees; while the maximum average temperatures in July, is more than 46 degrees Celsius.

One of the distinctive climatic features of the Persian Gulf region is the presence of dust storms which originate from the Sahara desert in Saudi Arabia, Iraq and Syria and in recent years because of reduction of water in the Tigris and Euphrates rivers and drying surrounding wetlands, suitable grounds have been provided for dust storms to increase over several months. Due to the geographical position, natural features, dry lands, deserts and barren lands, sand storms and prolonged heat and large amounts of water needed for living, climatic conditions in this region, has been suitable only for a very weak and poor livestock-based economy and a limited and insufficient agriculture throughout the history (prior to discovering oil) and families living in this area, were only able to meet their vital needs and usually had no surplus product or accumulation of capital to pay to governments settled in this region. So due to the climatic conditions, very simple nomadic and pastoral economy (camel and goat), palm gardens, fishing, and local commerce, were the dominant features of social life in the region until discovery of oil. In this relatively vast area, only those families which were more extensive than other tribes in terms of population and had greater military forces and financial resources arising from tribal life and had greater businesses managed to create tribal and limited governments with the policy of "conquer" or temporary alliances with other tribes and through military supremacy and defeating other tribes. The basis of continuity of government has not been political satisfaction and social support and the legitimacy of government has been based on using force and sword, and has not been the result of political power originated from tribal social system. Therefore the geographical and climatic condition, and in one word the "geography" of Persian Gulf region, has been somewhat effective in building weak and poor economies in terms of paying taxes to be influential in power an in creating non-accountable and illegitimate tribal governments.

3.2 Water and Agricultural Status of Persian Gulf Region

Persian Gulf region, has generally, less atmospheric precipitations compared to other surrounding areas (such as Turkey, South Asia and so on) from early spring to early autumn, because of its geographic position, and its proximity to the Tropic of Cancer and placement of subtropical high pressure over the area, and due to creation of stable weather and atmosphere. The average precipitation in the world, is 800 mm and the average precipitation of five countries around the Arabian Peninsula in the Persian Gulf and Oman sea, has been reported to be on average, less than 130 mm. That is why there is no permanent river in these six countries. Countries located in the Arabian Peninsula are located in world’s dry areas, and desert belt and their groundwater and surface water resources are very low and unpleasant. Moreover, due to high temperatures and low atmospheric precipitations, most of these countries do not have adequate water. This peninsula has the lowest amount of rainfall and the lowest utilization of water, as well. North and center of Saudi Arabia, most parts of Kuwait, Bahrain, Qatar, and north of United Arabic Emirates, almost receive no subsurface rainwater. But southwest of Saudi Arabia (Asir region), south of United Arabic Emirates, and south of Oman, possess somewhat more rainwater to reserve and this causes a slight increase in ground water in these regions.

Increasing water scarcity in the Persian Gulf is one of the troublesome components of governments’ social, economic and ultimately political life. Most parts of Persian Gulf, are among the world’s driest regions and in most countries in this region, the amount of rainfall is usually irregular, local and unpredictable. Among eight countries in the Persian Gulf region, only Iran enjoys from an average of 250 mm atmospheric precipitation per year, and has several rivers and this country is also experiencing water shortages in recent years. We can say that
all the countries in the Persian Gulf region are experiencing serious water problems, both in the agricultural sector and in the urban sector, due to rapid population and urbanization growth, very high temperatures and long summers and this situation will be far worse in the next two decades. Consumption of non-renewable waters (also known as the historic waters) is increasing rapidly and there is no ground for replacing it due to low amount of atmospheric precipitations (Kamrava, 2009, p. 397). Today, all members of Persian Gulf Cooperation Council, mainly rely on desalination of sea water in order to supply their drinking and agricultural water, and the cost of desalination of drinking water and water required for agricultural activities in these countries are so high that they are spending about a quarter of their revenues from selling oil and gas resources, in this way and they have no other alternative. Development of agriculture in the Arabian Peninsula is extremely water-consummptive (and therefore costly) or it requires highly expensive technology of drip irrigation that is applicable in the short term, but it is not practical in the future, due to foreseeable decrease in oil reserves. Although providing domestic food Security, is an incentive for applying costly water and agricultural policies, but it will be a very difficult purpose for this dry area in the future (Camp & Harcavi, 2004, pp. 173-174).

Table 1. The average annual rainfall, rainy months, and rivers of Persian gulf countries

| Country          | Average Annual Rainfall (mm) | Rainy Months          | Rivers                                                                 |
|------------------|-----------------------------|-----------------------|----------------------------------------------------------------------|
| Iran             | 250 mm                      | October, November, December, January, February, March, April     | 62 permanent rivers and hundreds of seasonal rivers                   |
| Iraq             | 100 mm                      | November, December, January, February                           | 7 permanent rivers                                                   |
| Saudi Arabia     | 100 mm                      | December, January, February                                     | Without permanent river                                               |
| Kuwait           | 110 mm                      | December, January, February                                     | Without permanent river                                               |
| Oman             | 100 mm                      | September, October, November, December                          | Without permanent river                                               |
| Qatar            | 75 mm                       | December, January, February                                     | Without permanent river                                               |
| United Arab Emirates | 110 mm                       | October, December, January, February                           | Without permanent river                                               |
| Bahrain          | 72 mm                       | November, December, January, February                           | Without permanent river                                               |

(Designed by Bahadur Zareie, 2015)

Arabian Peninsula countries, have implemented large investments in various projects of water supply, including desalination, exploitation of fossil groundwater resources and food self-sufficiency plans, by relying on their oil revenues. In the first half of the seventies, Saudi Arabia was the third largest importer of food and in 1991, by spending great expenditures; they could become self-sufficient in some agricultural products, including grains (Zareie, 2004, p. 32). But as wheat is a strategic product for Saudi Arabia, huge amount of subsidies are now being paid from petroleum revenues, for its production and guaranteed prices for producers are several times (three to six times) higher than the world market prices. Oil revenues are sufficient in order to cover the huge volume of food imports. But economic considerations was overshadowed by concerns of using food as a weapon against those countries and that is why the UAE and Kuwait in the eighties, allocated huge investments, in order to achieve self-sufficiency in the production of fruit and vegetable and poultry meat. Thus, the slogan of food self-sufficiency at any cost, has imposed the greatest pressure on groundwater resources in this region. Members of Persian Gulf cooperation council in 2010 consumed about 30 billion cubic meters water in their agriculture sector. Among them, Saudi Arabia is exploiting shared groundwater resources, unlimitedly and indiscriminately. The amount of water that this country is consuming in its agricultural sector is several times more than other countries. Although Saudi Arabia can import some portion of its water needed for agriculture, from Turkey, Syria and Iraq, but its authorities say that they don’t want to be dependent on others, in one of the most important and strategic goods, like water. Despite Saudi Arabia’s long-term plans for agricultural independence and food self-sufficiency, the share of agriculture in its economy in 1990, fell to 70 percent. Only 1.45 percent of its land is arable.

In the past decade water consumption in agricultural sector in these countries has increased 15 times and they may be forced to reconsider their agricultural policies in the future. According to what we discussed so far, about atmospheric precipitations, soil condition and agricultural economy, the Persian Gulf region prior to discovery of oil, has not possessed required facilities and abilities to create a dynamic agricultural economy and to build a feudalist government, arising from it, like what occurred in the Europe in the Middle Ages. So before the discovery of oil agricultural economy has not been able to produce enough products and accumulate enough wealth and capital due to the geographical conditions of the region and other issues. Hence, governments formed in the region, have not relied on taxes and society’s revenues and have not been responsive to social classes and
never neither in the past nor at the present, have performed any positive action to build a government representing different classes and social groups. Agricultural economy in the region, after oil discovery, and despite high expenditures has failed to take steps towards self-sufficiency, surplus of income, providing finance and participation in the government’s expenditures and power (Zareie, 2014, p. 234).

Table 2. The amount of arable and non-arable lands in Persian Gulf countries

| Country          | Arable Land | Non-Arable Land |
|------------------|-------------|-----------------|
| Iran             | 10%         | 90%             |
| Saudi Arabia     | 1.45%       | 98.55%          |
| Iraq             | 9.9%        | 90%             |
| Kuwait           | 0.62%       | 99.38%          |
| Qatar            | 1.21%       | 98.79%          |
| Oman             | 0.1%        | 99.99%          |
| United Arab Emirates | 0.61%     | 99.39%          |
| Bahrain          | 1.79%       | 99.29%          |

(Designed by Bahadur Zareie, 2015)

3.3 The Geopolitical Status of Persian Gulf Region

The Persian Gulf region is an area which has always, had the highest geopolitical and geostrategic perspective from the viewpoint of different countries. Concentration of oil-rich countries with tense situations and domestic weaknesses, vague and diverge security system, relying on foreign powers, geopolitical proximity to Pakistan of Afghanistan, as well as major differences in political-economic texture and structure of Persian Gulf region are some of distinctive features of this region compared to other regions in the Middle East. That part of the world which is called the Middle East, is in fact, a set of several separate of distinct geopolitical region such as the Persian Gulf, the Levant, North Africa and each of them is a particular region and independent from the other areas, because of the harmony which exists between its environmental phenomena (Mojtahedzade, 2000, p. 334). After going through one hundred years of historical importance due to the discovery of oil of gas, existence of vast reserves of energy, developments in the political and economic systems, as well as developments in regional security systems, this region has been considered significantly by global powers. In the last half century, Persian Gulf undoubtedly has been one of the most important and most sensitive regions in the world, in terms of the geopolitical issues and strategic calculations and regarding profound and ongoing international changes, wars and conflicts in the past two decades, revolution in Iran and opposition to Arab-Israeli peace process, we can argue that in the twenty first century: this region will be closely monitored in terms of strategic attitudes and calculations and in the words of classical geopolitics, it will be called Heartland or the heart of the earth. On the other hand, structural problems such as lack of integration and structural weaknesses in regional countries and their reliance on external powerful countries, weakness of regional countries in influencing international policies, poor government involvement in supplying regional security, extreme religious differences, distrust in other government’s policies, foreign agent’s intervention and... over the years have created a situation that as a result regional countries have never been able to try to promote their security conditions, successfully and confidently and have not succeeded in pursuing their interests and objectives, by relying on national force and power and without the interference of trans-regional powers. Therefore we can say that this region has been the cradle of geopolitical competitions between inter-regional and trans-regional actors in recent decades and it will continue to be. Emergence of nationalistic views such as pan-Arabism, pan-Turkism and pan-Iranism and conspiracies by foreign countries and speculators, which creates discord among different Islamic sects, weakness of leaders in governing communities and existence of authoritarian regimes, have turned this region to the focus of developments and tensions in today’s world. Also, the crisis of legitimacy in the Arabic countries, and awakening wave under the influence of democracy, regional political and religious conflicts, social upheavals and political instability as a result of liberation movements, are some other factors which have led to regional vulnerability. It is a fact that the Persian Gulf countries, as their main revenues are oil exports and petrodollars, they have a Rentier economy and do not have any common interests with their nations and this issue has led to establishment of absolute and non-democratic systems in these countries and because of lack of public support and political instability they have resorted to weaponry and military adventures.

3.4 The Geo-Economic Situation and Rentier Governments in the Persian Gulf

The Persian Gulf region is located in the largest strategic and communicational superhighway in the world,
connecting Asia, Europe and Africa. So domination over this region means having an especial global position, in dealing with potential enemies, or at least in avoiding strategic isolation (Mousavi & Shafaei, 2011, p. 178). In non-Rentier economies, government’s revenue is primarily being obtained from collecting taxes, but in oil-rich countries, a significant portion of government’s revenues comes from exporting oil and gas. On the other hand, in this century, energy, particularly oil and gas, as the spirit of geo-economic, has played a very determinative role in the process of development, in determining security, and in the creation of regional and international conflicts. Energy is the most important requirement in the twenty-first century; so conflict and competition between major global powers, in order to acquire hydrocarbon energy resources, will spread to this geo-economic region. On the other hand, those Eastern and Western countries which are experiencing an increasing development process, are trying to guarantee their energy security. By looking at world’s energy resources map, this fact turns out that more than 65 percent of global oil and gas reserves are located in the Hartland of energy.

### Table 3. Countries possessing oil and gas reserves in the Persian Gulf

| No. | Country     | The volume of reserves in billions of barrels | The percentage of reserves | The ratio of reserves to deposits (their lifetime) | The percentage of gas in trillion cubic meters |
|-----|-------------|---------------------------------------------|---------------------------|--------------------------------------------------|-----------------------------------------------|
| 1   | Saudi Arabia| 265.9                                       | 21.3                      | 73.3                                             | 7.57                                          |
| 2   | Iran        | 157                                         | 11.2                      | 92.9                                             | 29.61                                         |
| 3   | Iraq        | 150                                         | 10.2                      | More than one hundred year                       | 3.17                                          |
| 4   | Kuwait      | 101.5                                       | 8.2                       | More than one hundred year                       | 1.78                                          |
| 5   | Emirates    | 97.8                                        | 7.9                       | More than one hundred year                       | 6.43                                          |
| 6   | Qatar       | 31.5                                        | 6.5                       | 90                                               | 11                                            |

(Source: BP. Statistical Review, 2014)

Today, a large proportion of exportable productions of energy resources is located in "strategic crescent of Persian Gulf-Caspian Sea" and due to declining trend of oil and gas reserves in other parts of the world, the significance of these geo-economic areas is increasingly growing (Zareie, 2011, p. 67). According to the geopolitical and geostrategic theories, Persian Gulf is the world’s most international region and due to its energy resources, special space for geopolitical competitions and geo-economic resources, it provides an important place for global powers to play their roles in the form of cooperation, competition and conflict. Thus, factors such as location, resources and religion have led to the constant presence of global powers and actors to pose the Persian Gulf at the center of global attention.

Based on the following diagram, global demand for oil from 2010 to 2025, will increase 9.1% each year and from 94.6 million barrels per day in 2010 it will reach to 119.2 million barrels per day in 2025 and the highest growth during this period will respectively belong to China, India, Russia, North United States of America and European countries and the Pacific. In order to supply this volume of energy, especially in the oil and gas sector, the strategic importance of the Persian Gulf region will increase over the next twenty years. In the future, the Persian Gulf will be the source of 40% of global oil, and the origin of $ 800 billion international investment.

Thus, energy resources (oil and gas) in the Persian Gulf countries on the one hand have led to the formation of Renterism and on the other hand have led to economic growth and competition of global actors in the region. Another important issue in terms of geo economy, is growing share of natural gas in the world’s energy basket, and increasing needs of India and China to natural gas-in order to achieve double-digit economic growth- and their investment and access to gas reserves in the Persian Gulf, especially in South Pars gas field, and all of these issues highlight the important role of Persian Gulf in world’s geo-political and geo-economic relationships. With the discovery of new gas reserves especially in Iraq and other countries in the region and increasing rate of gas consumption in the world and particularly in South and South-East and East Asia, centrality and importance of this region has increased in the world and it has become the center of global geo-economic relations. According to the Energy Information Institute, the world’s gas reserve that is the second source of energy, and is considered to be an alternative energy for oil, in 2030, with an annual growth of 1.6% will reach to 152.7 trillion
cubic feet. From 178.3 trillion cubic meters of world’s known natural gas reserves, 73.2 trillion cubic meters that is equivalent to 2,516.4 trillion cubic feet and is 41% of total natural gas reserves in the world, is accumulated in the Persian Gulf region. In the coming century, natural gas has gained more strategic importance as a suitable fuel and as a raw material for petrochemical industries. Petrochemical industries produce a wide range of consumable and essential goods (Lawrence, 1998, p. 3). Existence of gas reserves in a geo-economic region like Persian Gulf, can play a critically important role in the future of global economy and it can attract and absorb regional and trans-regional politicians and powers, at least for one century and so the Persian Gulf can turn to an arena for activity, cooperation and geo-economic and geopolitical competitions. On the other hand, existence of these energy resources and possessing an oil-based economy can impose some negative consequences on the economy. Economically, oil Rents in the Persian Gulf countries, weakens the incentives to work and will create some other dilemmas such as: weakening the private sector, developing the culture of Rent-orientation, consumerism and wasting economic resources. Producing and non-Rentier economies rely on the production of goods and providing services. In the oil-based economies, a significant portion of the country’s wealth comes from oil, and it is not the result of hard labor, and this undermines motivation of work force for work and economic competition. On the other hand the revenue obtained from selling oil in the Persian Gulf countries is so high that as a result they don’t need to collect taxes from community and they are not dependent to nation’s financial resources and so they are not accountable and responsive to their people, because they don’t obtain their financial resources from society. This chasm between government and nation and financial and political independence, which had began before discovery of oil, continued to the period of oil economy and currently no prospect can be imagined in order extricate these countries from this situation.

3.5 Rentier Governments, Competition between Powers and Expansion of Militarism in the Persian Gulf Region

A major and significant part of literatures on Rentier governments, studies the correlation between revenues obtained from Rents and expansion of conflicts and the increase of possibility of instability and civil war in the Rentier governments. According to theorists who study Rentier governments, reliance on the revenues obtained from Rents, will lead to government’s authoritarianism and thus it can provide a fertile ground for the expansion of political conflicts, especially in the form of civil wars, riots, coup and strike. It seems that Persian Gulf is very important for major global powers, for two reasons. Firstly the energy that continues to maintain its central role in the global economy and it will continue to maintain this role - but with less importance- for next four decades; secondly its excellent communicational situation, which has turned the geography of Persian Gulf to the heart and the center of global communicational corridor. Considering the amount of oil exports from the Strait of Hormuz, which is approximately 15 to 16 million barrels, strategic and geopolitical importance of the Persian Gulf, will be maintained, in the next two decades. Hence, regarding global economic growth and growing demand for this source of energy, conflicts and competitions over access to the oil resources in this region will be doubled and considering energy resources and reserves, and their influence in the international arena, geo-economic importance of Persian Gulf region and strategic weight of its countries will increase. So it is not inconsistent that this region is under the influence, domination and intervention of trans-regional powers, more than any other geo-economic region (Klabers, 1998, p. 30). Strategy which USA has adopted, after the collapse of the USSR, has been focused on more and more control over oil resources and controlling free energy transfer routes toward consumption markets and directly controlling capitalist world’s economy. Strategic experts believe that; if United States of America doesn’t dominate on the Persian Gulf oil, its power, over key areas in other parts of the world will severely reduce as well, it will lose the global power game, to other alternatives such as Europe Union and China. What United States of America is looking for in the Persian Gulf region is controlling its oil resources, not as a lever of power and not as a fuel source but dominating the Persian Gulf means controlling the Europe Union, Japan and China. Europe’s strategy in the Persian Gulf is based on cooperation and competition with United States of America, buying oil and gas, selling weapons, military cooperation and agreements with these countries to establish military bases. Russia’s strategy is based on smooth balance of power with United States of America, trying to find markets for its weapons, economic cooperation, security and nuclear cooperation with Iran and investment in oil and gas projects in the region, especially in Iran. Strategy which China has adopted is based on smooth balance of power with United States of America, selling weapons, business development, and cooperation in oil and gas projects in the region, especially in Iran. Persian Gulf region has a crucial position in all activities, orientations, functions of globalization and competition and conflict over drawing final picture of contemporary geopolitical and geo-economic map of region. Considering increasing needs of industrial economies of West and East to energy resources, that is now 92 million barrels and will reach to 117 million barrels in 2030, and a drastic decline in energy resources in the world, currently the possibility of conflict, competition and battle between powers in this geo-economic region is conceivable. Although the works of theorists of Rentier government, on the correlation between the sources of Rents and
political violence, are not limited to above cases, however most of their studies indicate existence of a serious and significant correlation between these variables. Therefore, we can consider these tendencies in regional governments to transact massive military purchases, to be in this context. We can say that huge revenues obtained from selling oil, which have been over 800 billion dollars, in 2013, influence Rentier governments in the Persian Gulf in two ways; firstly, as a result the government will not be dependant to community and public revenues and taxes, in the process of ensuring its development and security. Secondly, it will lead to huge purchases of weapons, from of big trans-regional powers and relying on them to provide internal and external security and finally it will lead to local and regional divergence. That’s why the eight Persian Gulf countries, have different and sometimes opposite, security perspectives, in providing their regional collective security, and have been moving toward divergence in the issue of collective security from the eighties to now and they have been the cause of the presence of major Western powers in the Persian Gulf region. There are more than fourteen bases in the Persian Gulf region. Among the eight countries in the region, only Iran, has not provided military bases for trans-regional powers, the other Persian Gulf countries, have provided between one to six military bases for United States of America, Britain and France(for instance, Kuwait and Bahrain have devoted over one third of their geographic area to United States of America’s military bases). This fact shows how much these Rentier governments are concerned and dependent to trans-regional powers, in terms of security and defense and this indicates that how much they are unfamiliar with collective security and how do they define their national security.

### Table 4. Total cost of military forces (in millions and billion dollars) as the most important indicator of tendency to militarism in the Persian Gulf countries

| Year | Bahrain | Kuwait | Oman | Qatar | UAE | Saudi Arabia | Iraq | Iran |
|------|---------|--------|------|-------|-----|--------------|------|------|
| 1999 | 441$    | 3200$  | 1600$| 1400$ | 3200$| 21800$       | 1400$| 5700$|
| 2000 | 322$    | 3700$  | 1700$| 1200$ | 3000$| 22000$       | -    | 4000$|
| 2001 | 371$    | 3286$  | 2107$| 1690$ | 1642$| 21055$       | -    | 3218$|
| 2002 | 331$    | 3477$  | 2518$| 1855$ | 2490$| 18501$       | -    | 3076$|
| 2003 | 460$    | 3881$  | 2655$| 1923$ | 2519$| 18747$       | -    | 4150$|
| 2004 | 473$    | 3284$  | 3008$| 2060$ | 8910$| 20910$       | -    | 5328$|
| 2005 | 500$    | 3568$  | 3695$| 888$  | 8747$| 25372$       | -    | 7275$|
| 2006 | 532$    | 5024$  | 4076$| 1072$ | 9482$| 29541$       | -    | 8864$|
| 2007 | 539$    | 5250$  | 4376$| 1266$ | 11253$| 35446$       | -    | 8040$|
| 2008 | 553$    | 6812$  | 4671$| 1756$ | 13733$| 38223$       | -    | 9595$|
| 2009 | 742$    | 4184$  | 4018$| 2500$ | 7957$| 41276$       | 4118$| 8636$|
| 2010 | 736$    | 4654$  | 4189$| 3117$ | 16057$| 45170$       | 4848$| 27283$|
| 2011 | 959$    | 4070$  | 4304$| 3457$ | 9320$| 48500$       | 12028$| 26359$|
| 2012 | 1028$   | 4616$  | 6731$| 3670$ | 12700$| 52510$       | 14727$| 23932$|

Source: Adapted from the IISS, Military Balance, 1999-2013(WWW. Military Balance.COM)

### Table 5. Military expenses of Persian Gulf Countries, from 2007 to 2013

| Country | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------|------|------|------|------|------|------|------|
| Saudi Arabia | 45617 | 44771 | 46011 | 47881 | 48531 | 54913 | 62760 |
| UAE | 9816 | 11959 | 14080 | 17657 | 19182 | 18898 | 18898 |
| Bahrain | 637 | 688 | 774 | 774 | 878 | 928 | 1172 |
| Kuwait | 5309 | 4888 | 4782 | 4716 | 5293 | 5855 | 5644 |
| Oman | 5413 | 5154 | 4832 | 5094 | 6668 | 11985 | 8738 |
| Qatar | 1700 | 2193 | 1938 | 1913 | 1913 | 1913 | 1913 |
| Iran | 6148 | 71193 | 9109 | 11256 | 12233 | 10158 | 9174 |
| Iraq | 2845 | 2383 | 2097 | 2324 | 2324 | 10158 | 9174 |

Source: Adapted from the IISS, Military Balance, 1999-2013(WWW. Military Balance.COM)
3.6 Absence of Complementary Economies and Regionalism

Looking at the situation of Persian Gulf countries proves that, due to their drastic reliance on oil revenues, and their single-product economy, these countries don’t possess required capabilities for export and investment in other fields and thus they can’t play the regional complementary role for each other. Moreover, because of strong mutual economic ties among these regional countries, with an oil-based economy, regional security can always be threatened more easily and these countries which consider each other as serious economic rivals and if necessary, they will agree with trans-regional threats against each other, more easily.

Table 6. Five countries with the highest volume of direct investment in the Persian Gulf countries and the number of projects in each country

| Investor country | Number of projects | Investor country | Number of projects |
|------------------|--------------------|------------------|--------------------|
| Bahrain          |                    | UAE              |                    |
| USA              | 15                 | USA              | 137                |
| India            | 12                 | England          | 108                |
| England          | 10                 | India            | 72                 |
| UAE              | 10                 | Germany          | 38                 |
| Kuwait           | 8                  | Japan            | 23                 |
| Iran             |                    | Qatar            |                    |
| France           | 6                  | USA              | 20                 |
| Italy            | 6                  | England          | 14                 |
| Japan            | 5                  | UAE              | 9                  |
| England          | 4                  | India            | 7                  |
| UAE              | 4                  | Nederland        | 6                  |
| Kuwait           |                    | Oman             |                    |
| USA              | 7                  | India            | 12                 |
| England          | 6                  | USA              | 6                  |
| UAE              | 5                  | UAE              | 5                  |
| France           | 3                  | Germany          | 4                  |
| India            | 2                  | Qatar            | 3                  |

Source: www.Locomonitor.com

Reviewing above tables reflects the fact that, except for the UAE, other regional countries don’t tend to conduct mutual investments and thus it does not seem likely -at least in the short term- that they could develop their political relations, as it suits the process of regionalism. Although we can present several analyses by studying tables and documents, but in general it seems that absence of complementary economies is one of the main reasons for the low volume of exchanges among these countries. Also, studying documents provided by Market research Institute, called loco-monitor indicates that most of investments in regional countries, in addition to investment in oil and gas projects, have been related to industries such as; heavy and light industries, telecommunication industries, tourism, services, transportation and the food industries. So, obviously when all regional economies possess relatively similar industrial conditions, so due to their access to oil revenues, they don’t need each other. However, Arab and non-Arab societies in the Persian Gulf region, are not encountering
inclusive civil economic demands, in order to force them to join to the markets and economic institutions of neighboring countries, due to their historical weakness in privatization process, and their inability to form a strong private sector and possessing strong governments and weak communities; so, the poor and despair community, with minimal demands, continues its political life, in this region.

4. Persian Gulf Region and Rentier Governments

Extensive government’s intervention in the economy, accompanied with the necessity to adopt economic policies which can increase fragile political legitimacy, has led to adaptation of Rent-orientation economic measures, on a large scale across the Persian Gulf. This Rent-orientation has resulted in emergence of two general outcomes for regional political economy. Firstly, it has reduced community’s ability to achieve autonomy and has weakened the possibility of democratization from the bottom. Secondly, Rent-orientation has prevented the possibility of economic and industrial development and instead, it has perpetuated non-productive behaviors which save Rent-orientation. Rent-orientation is the result of obtaining high interests from those economic activities which do not require high efficiency (Brand, 1992, p. 168). For example, the cost of exploiting and exporting the oil is much less than the profit obtained from selling it. In fact, in the Persian Gulf, oil is a major source of Rent for most regional governments. Especially the oil-rich Persian Gulf monarchies are perfect examples of Rentier governments. Persian Gulf governments due to their reliance on monoculture and dependent economy, which is heavily being controlled by the government, are governed by Rentier governments. Distinguishing features of this region include: inefficient and dependent economies, intense disagreements between countries in different issues, low growth and relative isolation, and each of these factors play central roles in the deterioration of economic situation in these countries. Government’s excessive intervention in the economy has politicized their economy and has led to their insufficient socio-economic development, along with many parts of the world (Todaro, 1990, p. 23). Rentier economies, unlike receiving economies, can provide a secure life for their people and in return they demand little or nothing. Having access to the Rent reduces government’s needs for taxes or other sources of public income (Timothy, 1998, p. 11). Most of the Persian Gulf governments have not managed to establish some kind of discipline among recipients of Rentier benefits. As a result, they have unintentionally caused a phenomenon, which can be described as irrepressible Rent-orientation. The basic causes of irrepressible Rent-orientation are unstable nature of government’s political and ideological legitimacy and the mechanism of their establishment and political consolidation (Waldner, 1999, p. 198).

From political aspects, governments throughout the region have been established based on four basic features which reinforce each other and will result in authoritarianism. First one; the government represents itself as the guarantor of national interests. Second one is Patrimonialism; the fact that the country is ruler’s hereditary property and when government protects the national interests, it has indeed a personal nature and its extending down is being performed through successive and overlapping layers of supporters and clients. The third feature of governance is closely related to Patrimonialism, and that is corporation-oriented political economy, and through which cooperation between government and private sector will ensure government’s final supremacy. The fourth feature is authoritarianism and through which those who question the benefits of the other three aspects will be satisfied and will be urged to follow the government; also weakness of civil society, continued power of governmental institutions and their social significance, absence of international pressures for democratization which have huge influences in deterioration of authoritarian regimes, are equally important (Kamrava, 2009, p. 365). Finally, these components contribute to a great degree in maintaining nondemocratic governance in the Persian Gulf region and the society has become accustomed to these features to a large extent and some of it can be found in tribal moods that is due to people’s current situation in the region. One of the important issues in the Persian Gulf is discovering prospects for political and economic cooperation in the region. Finally in the Persian Gulf:

1. Here conflicts often lose their regional nature and adopt a trans-regional and global nature;
2. Fundamental changes in the international economy, increasing globalization and the expansion of trade, and increasing participation in most parts of the world impose new pressures on the region, especially economical pressures;
3. Finding new sources to replace the oil is another problem which these countries are experiencing;
4. Reinforcing economic cooperation in the region will contribute in establishing and strengthening the stability in the region and this issue will bring economic growth for regional countries (Brand, 1992, p. 231).

But as it is clear one of the main reasons for the economic backwardness of the Persian Gulf is the issue of excessive governmental intervention in the market mechanism and dictating rules and regulations which are not consistent with the rules and principles of free and global trade. One of the major problems of regional
governments in joining into international economic organizations is the issue of excessive governmental intervention in the economy which has created a major obstacle. On the other hand, about Rentier governments in the Persian Gulf, we must say that their economic growth depends on oil revenues and this has two different results: on one hand it will increase government’s power and its dominance on political and economic institutions and on the other hand by increasing oil revenues, government’s commitments and its economic dependence on oil, and thus its dependence on transnational corporations will increase. Therefore while oil is a reinforcing element, and the fundamental base of governmental power, it is the basic cause of government’s economic and political dependence on trans-regional big powers, and also its weakness and vulnerability. Meanwhile, the private sector despite its dependence on the government and these powers are posed in a perfect inactive position, in terms of politics and participation in economic decision makings (Katoozian, 1994, p. 121). Finally, inclusive government-orientation, Rent-orientation and unequal influence of government in various economic sectors have resulted in the creation of a political economy which will support and protect the authoritarianism. In fact, each of these phenomena has a continuative logic and has managed to resist serious reforms. As long as the basis of political economy in most of Persian Gulf countries does not change, authoritarianism will most probably remain intact.

5. The Relationship between the Persian Gulf Rentier Governments and Transnational Corporations

For many reasons Rentier economies and Rentier governments have been a great place and effective factor for the presence and acceptance of transnational corporations’ policies. These corporations have been present in the Persian Gulf for many years, and the reason is pretty clear. Persian Gulf countries have always had backward or developing economies by relying on oil or some kinds of goods or exporting raw materials, and instead they have been a good target market for transnational corporations. Throughout the history, these corporations with their presence in the region and by creating strong connections with these governments, and signing various contracts, have purchased and transferred huge and a vital resources from this region, to the benefit of their countries and have obtained huge profits. Some of These corporations over the years, have occasionally taken some steps in solving some non-economic and cultural problems, and have conducted some attempts toward social development in those countries, but these attempts have been mainly performed to meet their own interests. Multinational corporations do not have a good reputation among people of those countries, because of adaptation of different policies which have led to their reliance to the developed world and many of those nations look at them as colonizer agents of the West world. Issues such as the unequal relationships between the industrialized world and the developing world, making decisions in the first world and dictating them to the Third World, and enforcing new imperialism or new colonialism policies in developing countries and economic dependence of regions like Persian Gulf to the West, were some issues which added to the pessimism and skepticism regarding these corporations and their activities. Three major facts, in the Persian Gulf, include: huge amount of oil, scarce rain and water and growing young population and three of its major problems are increasing unemployment rates, low amount of foreign investments and spending billions of dollars of oil revenues in order to purchase military weapons from the West. In addition, considering economic and geo-strategic importance of the Persian Gulf and ensuring regional stability through regional cooperation is a priority and current practices of global economy and international politics have led to creation of this kind of trans-regional cooperation (Chaudhuri, 1997, p. 191). But major problems remain unsolved and resolving these problems require revising some policies adopted by the regional governments and one the most important issues among them, is establishment of democracy in the region and that does not seem possible without establishment of a stable and strong economy. In general, in a country, the level of economic development is directly proportional to the extent to which the system possesses the necessary conditions for the existence of democracy. However, in multivariate models, in which economic and non-economic factors are considered the level of economic development is the only descriptive variable and the most important. The impact of economic development resulting from inter-government relations between Rentier governments and transnational corporations in each of these countries is different, but something that is generally clear and obvious is that the variable of income inequality is the main cause of failure of programs on establishment of democracy, in these countries. The problem which we encounter in studying issues related to democracy in Rentier governments in general and in the Persian Gulf in particular is that due to the unavailability of data on income inequality, it has become impossible to conduct an experimental analysis on its relationship with economic development and to investigate the role of transnational corporations in this issue.

6. Conclusion

We can say that Persian Gulf countries have experienced two types of governments during their long history; dictatorships and Rentier governments. During the research, this issue has been studied that how geographical factors such as geographical location, weather, atmospheric precipitations and water resources, livestock and
agricultural economics and geopolitical situation, have had an effective role in the formation of governments which are separated from society, authoritarian and unaccountable and how these factors have provided needed grounds for these governments to establish dictatorial structures. What was obtained from the second section of this study is that in the oil-exporting countries, the oil revenue is being directly sent to the government’s treasury. So the government will acquire huge amounts of revenues, without being forced to collect taxes or any money from the society. Oil resources belong to the government and oil extraction is a capital-intensive activity isolated from the domestic economy. Government affects the entire economy by choosing the appropriate mechanism to spend the oil revenues. The relationship between the government and the nation in such an economy is quite different from the models which have been developed for capitalist economies of the Western countries. With the tremendous increase in oil revenues over the past few decades, oil-rich countries have not been forced to collect taxes. In fact, the real issue for these governments until recently has been how to spend the oil revenues, rather than how to take money from the community. That’s why, despite the global uprising for democracy in recent decades and the third wave of democracy and democratization in third world countries; in the Persian Gulf authoritarianism has been remarkably durable and is still in power. Persian Gulf countries, as their main revenues are oil exports and petrodollars, have a Rentier economy and do not have any common interests with their nations. On the other hand, in this century, energy, particularly oil and gas, as the spirit of geo-economic, has played a very determinative role in the process of development, in determining security, and in the creation of regional and international conflicts. Thus, energy resources (oil and gas) in the Persian Gulf countries on the one hand have led to the formation of Renterism and on the other hand have led to economic growth and competition of global actors in the region. Oil Rent in the Persian Gulf countries, weakens the incentives to work and will create some other dilemmas such as: weakening the private sector, developing the culture of Rent-orientation, consumerism and wasting economic resources. Politically, oil Rent in the Persian Gulf has led to separation of government from people and its dominance on the society; in these countries, the government doesn’t supply its revenues from taxation or from any other public resources. This has led to the independence of the government from the social classes and has posed the government on the top of the society. This issue has led to establishment of absolute and non-democratic systems in these countries and because of lack of public support and political instability they have resorted to weaponry and military adventures. From the military perspective, reliance on the revenues obtained from Rents, will lead to government’s authoritarianism and thus it can provide a fertile ground for the expansion of political conflicts, in the form of civil wars, riots, coup and strike. Explicitly it can be said, that the discovery of oil has transformed the Persian Gulf governments from dictatorship to dictatorship- Renterism. Regarding regionalism, looking at the situation of Persian Gulf countries proves that, due to their drastic reliance on oil revenues, and their single-product economy, these countries don’t possess required capabilities for export and investment in other fields and thus they can’t play the regional complementary role for each other. Moreover, because of strong mutual economic ties among these regional countries, with an oil-based economy, regional security, can always be threatened more easily and these countries which consider each other as serious economic rivals and if necessary, they will agree with trans-regional threats against each other, more easily.

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(Emphasis added). **Nevertheless, the outcome, namely the acquiescence of important economically active sectors of the population to state authoritarianism, remains the same.**

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