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Explaining Arab Military Spending: Responding to National Security or Distributive Politics? ¹

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Introduction. In 2016, Arab countries dominated the rankings of military spenders, constituting half of the top ten countries scored by defense percentage of GDP. Since the Middle East is a conflict-prone region, such largess should be expected, yet scholars should be cautious about attributing Arab military spending primarily to security concerns. This is because there is also a rich literature that provides alternative non-security explanations for military. In this paper I consider two types of explanation for Arab military spending, one at the threat level, where I assess current and potential future threats to the Arab countries in this study (Egypt, Jordan, Yemen, Saudi Arabia, Tunisia, and Algeria), with changes in their military spending. I then compare the threat explanation level to a second explanation: the domestic factors of distributive politics. Do Arab countries offer rent opportunities to their militaries, their citizens, and defense contractors, both local and international? Do regimes use defense monies to reward loyalty to critical constituencies, to including the professional military and those who supply it and benefit from its economic power?

The question that this paper addresses is whether Arab defense military spending responds to national security priorities, or if it is intended for domestic political use; to either reward military loyalty, or to lubricate economic growth. The question is important because while countries invest in their militaries for reasons beyond national security requirements, the expectation is that the primary reason for defense spending is to allow a country to maximize its security against both internal and external threats. Thus we should expect that one explanatory variable in understanding changes in national security spending to be the threat that countries either face or expect to face. Yet such explanation levels are too simple and very difficult to measure. Countries spend funds on their militaries because they face an imminent threat, but also

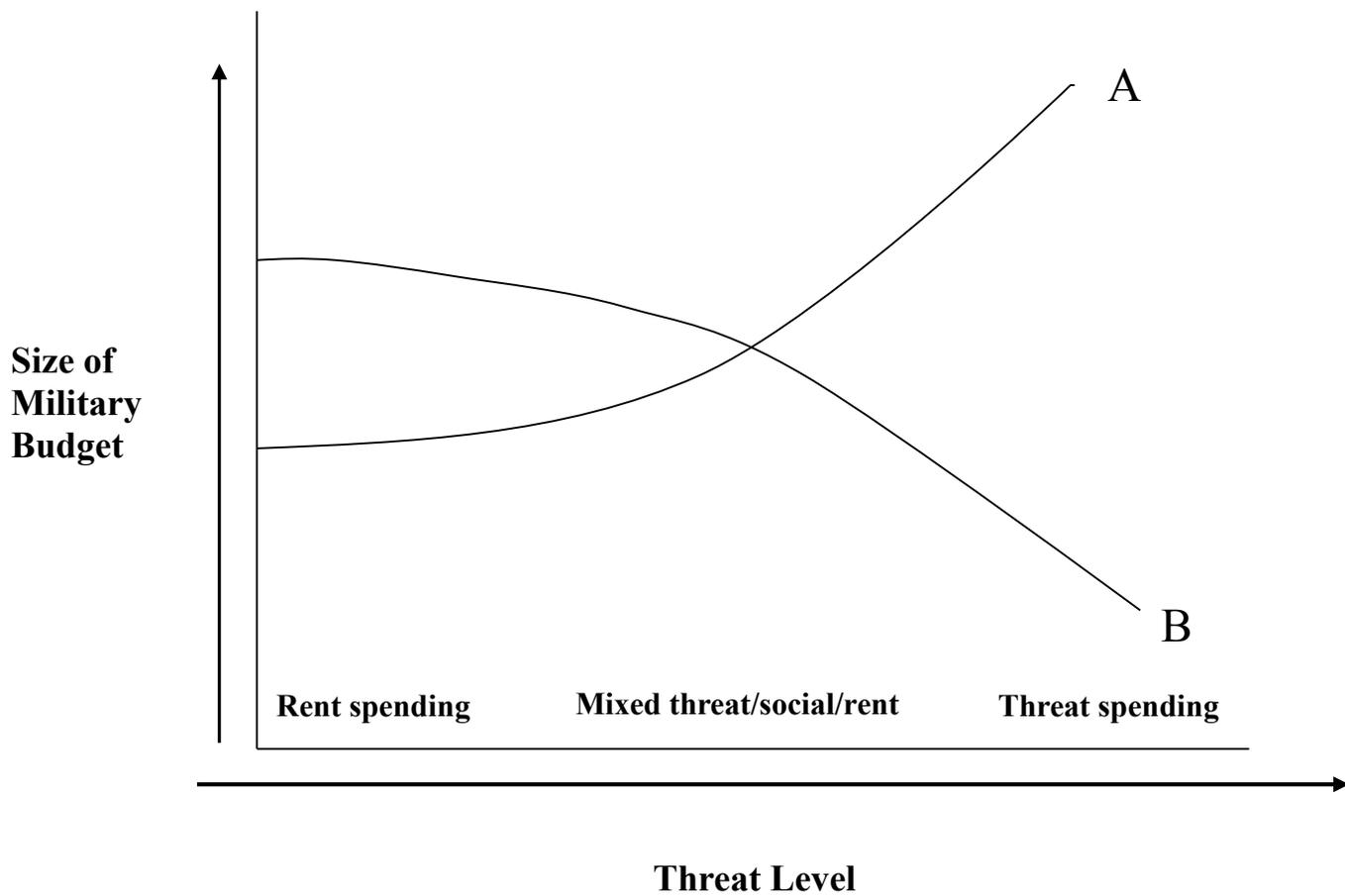
because they expect a future threat to emerge, either from a neighboring country, a non-state threat (terrorism or criminality, for examples), or from a distant power. Thus I am testing two competing hypotheses:

H₁: The size of military expenditures in select Arab countries is a function of the national security environment, thus the higher the threat or opportunity, the higher the level of military expenditures.

H₂: The size of military expenditures in select Arab countries is less related to the national security environment, and more related to the need to provide rents to Arab militaries and their political patrons.

I offer these hypotheses as guides to the sections that follow, though I am not testing them through statistical procedures, as the data are both limited and lack robustness. I also recognize that there are no clean cases, where either alternative explains the bulk of the military budget. So I expect tendencies instead, as illustrated by a hypothetical comparison of two countries, one with a military spending emphasis on threat and the other with a stress on rent payments.

Hypothetical 2-country Defense Spending



Here Country A increases its defense spending more as a function of threat than for rent, while Country B shows the opposite preference. The next sections detail these rival explanations.

Spending for War: the National Security Explanation. It would be surprising if military spending were not in some way related to national security, so the real question is what the relationship looks like, and how to locate it. One possibility is that wartime spending increased just prior to the onset of a war, continues to be high after the war ends to pay for war losses, but then returns to peacetime levels. Or arms spending might be more static in a long-term threat environment, perhaps changing relative to the changes in the threat (a rival country, or coalition of countries, a non-state threat, or an internal threat). Another possible indicator of a relationship between military spending and national security is the so-called “arms race response,” where nations competitively arm, either to try to top the other in military capacity, or to engage in mutual deterrence. Such models assume that countries arm in reaction to changes in the military capacity of a rival country or countries.

There is support for the argument that nations arm because of military requirements. Nordhaus, Oneal, and Russett find a relation between military spending and countries based on conflict prone-ness, and conclude that, “The difference in the security environments between the two groups is striking, and it is clear that the external threat does influence national military expenditures. The four least threatened countries spend on average only 1.8% of GDP on their armed forces; the four that are most endangered spend four times as much, 5.7%. There is, however, considerable variability within the top group, indicating that other factors importantly influence military spending” (Nordhaus, Oneal, and Russett, 2009: 10). Dunne and Perlo-Freeman (2003), using a variety of data sources, find that developing countries did spend defense

money in response to both external and internal threats, and that, moreover, this pattern did not change much after the end of the Cold War. Collier and Hoeffler (2002) find that the military expenditures chosen by the government of one country is strongly influenced by what its neighbors spend.

Other research on competitive arming has also produced mixed results. Cusak and Ward (1981) do not find evidence of competitive arms spending in their examination of Soviet, American, and Chinese data, and neither do Bishop and Sorenson (1982) when comparing Soviet and American spending data. Majeski (1985) also finds no significant relationship on a series of arms spending data. Relative to the Arab world, Gillespie, et. al. (1977: 239) finds that, "...arms expenditures by ... Israel are perceived not to be an inducement for their enemies to arm, but a constraint on their adversaries' desire to arm," in other words, the Arab states were not arming competitively with Israel. Majewski (1985: 230) has a similar result. Seiglie and Liu (2002: 705) find that, "...evidence of causality running from Israel's to Arab military spending is rather weak or nonexistent." Abu-Qarn and Abu-Bader (2008: 15) detect a more nuanced finding, but that only Egypt reacted causally to Israeli military spending, while Jordan and Syria did not.

The "arms race" phenomena may not be capturing the spending-for-threat that may be going on in many Middle East countries, though. Gaub (2014) argues that the increases in Arab military spending since the end of the Cold War may be related to the area as conflict-prone: "In part, this reflects the fact that autocracies generally spend 140% more on their armed forces than democracies..., but it also reflects that the Arab world continues to be an area prone to conflict – both intra- and interstate." In other words, while there may not be direct evidence of conflict, the general recent history of warfare and the expected tensions may also explain increases in Arab military spending.

The “arms race” model also does not account for spending in response to an *internal* threat, which requires a different approach to detect. The most common internal threat is civil war, so we should expect that countries that expect civil war may be spending more money on security than those that do not expect such a conflict. If regimes respond rationally to the expectations of civil war, they should recognize that civil wars are functions of both political and economic grievances, where political grievances include lack of power sharing, centralization of authority, discrimination against certain groups, and lack of democracy, while economic grievances include poverty and mal-distribution of national wealth (Mohammed, 1999: 3). Thus we should expect that countries that rank low on measures of political freedom, low on poverty and inequality, and high on corruption should be spending more on preparing for civil war than those that have more open political systems and fewer economic challenges. The immediate indicator is that almost all Arab countries are rated as “not free” by Freedom House, with only Tunisia rated as “free” and only Morocco, Kuwait, and Lebanon rated as “partly free” (Freedom House, 2016). There is very little variance on the freedom scores of the “not free” countries, ranging from 6 to 7, yet their military expenditure burdens vary considerably. Not all countries report poverty rates, but for those that do, Arab countries do relatively well, with only Yemen showing a high level of poverty. The poverty rate for select Arab countries on a world ranking is listed here, where the higher the number, the lower the poverty:²

Yemen	31
Iraq	84
Algeria	89
Egypt	94
(U.S.	125)

Morocco	128
Jordan	130

From these sparse data, it is difficult to argue that Arab military spending correlates all that well with internal security threats, though admittedly the situation is more complicated. These formal results do not disprove the case for threat-based military spending, but they uniformly find a weak response at best. Of course interaction may lie elsewhere, undiscovered by arms race scholars. But while Arab countries may arm for security purposes, the finding that they do not is consistent with a broader set of findings that tend to cast doubt that countries arm mostly for military reasons. The evidence, instead, is that countries arm more for non-security reasons and, in the case of the Arab countries in this paper, the quest for those explanations moves to the domestic political arena.

Soldiers, the State, and the National Economy. Military political power often rests on economic power, “The ability of the military to act as a political coalition partner often depends upon the extent of its own economic base” (Janowitz, 1977, 153). That economic base may include its share of the national budget, industries that supply it with guns, bread, shoes, and millions of other consumables and durable goods. The military has strong influence over the national defense budget making process, and thus the ultimate size and trend of military budgets. While defense budgets have rarely climbed above ten percent of total GDP in most countries (only one country, South Sudan, exceeded ten percent in 2014³), they can still exercise considerable influence over the national economy, though that influence remains debated. Some argue that military spending serves as a brake on non-military economic activity as it represents wasted opportunity to spend in more economically productive ways, while others argue that

defense spending serves as a government stimulus to accelerate short-term economic growth and, in the longer term, generates infrastructure and technology to serve as a platform for sustained economic expansion (Ruttan, 2006).

Theorists of civil-military relations from Lasswell forward have argued that when the military become managers of a state, they will take over its economic system and eliminate, among other things, unemployment: “In the garrison state, there must be work—and the duty to work—for all. Since all work becomes public work, all who do not accept employment flout military discipline” (Lasswell, 1941, 459). Unemployment in the garrison state is to be abolished through state-run labor projects and soldiers will manage the economy, and economic pump-priming will come partly from war production: “The elite of the garrison state will have a professional interest in multiplying gadgets specialized to acts of violence. The rulers of the garrison state will depend upon war scares as a means of maintaining popular willingness to forego immediate consumption,” warned Lasswell (1941, 465) many years ago. While this now seems extreme, Lasswell could be describing the economies of most of the major World War II belligerents, or, as noted later, a number of Middle East countries.

Narrowing the argument, some scholars argue that instead of defense spending buying national defense, it rather buys military loyalty, and empowers military politics. As Bellin, (2004, 148) argues, Middle East rentier states are more likely to feature high defense spending levels relative to other state budgets because rents are easy tools to buy military loyalty. Some of the top military spenders relative to GDP are Saudi Arabia, Yemen, Qatar, and Oman, all with rentier state characteristics. Algeria and Libya, two obvious rentier states, saw sharp increases in military spending after military-inspired or led coups. Libya’s defense spending rose to 40 percent of total government spending after the 1969 coup, and the Algerian military is also a

beneficiary of rent receipts; “In 1992, the army acted to preserve the Algerian state and prevent its collapse. Whether this decision was based on ideological values or a plot to keep its access to oil rents is unclear, but what is clear is that the army wanted to remain in power.” (Sandbakken, 2006, 141). Willis (2012, 109) notes that the Algerian military, through government support, was able to purchase over a large import sector with revenues they obtained from oil and gas sales.

Military influence over the national economy can be subtle, but important. Military officers often come from privileged backgrounds, and have influence with state organs—including the head of state—that gives them leverage over the non-military elites. They can direct parts of the national economy to work on their behalf, insisting, for example, on more control over national petroleum or computing assets for military purposes. Moreover, the impact of defense spending on national economic health is an issue for civil-military relations, because where it might accelerate economic growth, the military may take credit as a boon to national well-being. However, if defense spending crowds out more robust economic endeavors, or becomes destructive through side effects like inflation, then the professional military may appear to be more a predator than an economic savior, and opposition to higher defense spending may rise to trim military budgets. Defense spending may pump up the economy, but, like many government spending programs, it may lack economic efficiency, denying the opportunity for more efficient spending.

Military, Inc.: the Armed Forces in Business. One of the most perceptive writers on civil-military relations, Samuel E. Finer, observed that while the military has many strengths (including organization, status, and its monopoly of armed force), its weaknesses include its inability to effectively administer state affairs, particularly in the economic realm. Said Finer,

generalizing to most militaries, "...the military proved incapable, by their training, of ruling in any sense wider than putting the economy of the country on a 'care and maintenance' basis" (Finer, 1962: 16). Finer is largely correct; military professionalism and especially military education rarely includes economic management, economic planning, market assessment, marginal rates of return, or any of the other arcane concepts that business leaders are supposed to know (though "management" has become part of the military education curriculum in the U.S. and elsewhere). Moreover, operating a battalion or a ship squadron requires an entirely different approach than does the management of a company or the bureau of agriculture, for example. The often-delicate calculations of how much product to plan for in a finely tuned market would be perplexing for a general whose method of accomplishing a mission is to fire as many artillery rounds as it takes to obliterate a target. The nuanced methods used by advertisers to sell skin cream or diet pills would be difficult to implement for a colonel used to barking orders to get troops to take a hill, or fly a dangerous mission.

Military entrepreneurship is another interesting problem area. The ideal for a professional army is the performance of military art and science, force management, training, professional military education, and other legs of the military stool. Thus when military officers leave their base at noon and travel to their second job, when generals run garbage bag factories, when colonels sell medical services to wealthy foreigners, the military space may expand beyond what professionalism can tolerate, and thus compromise military performance. It is reasonable to expect that when military persons have to choose between the vagaries of military purpose, especially during peacetime periods, and the lure of earning money through the family date farm, or the pay as manager of the military washing machine factory, it is clear what most would choose.

Military Politics in the Arab World. The Arab region presents a puzzle that may be difficult to solve as it is both a region of high tension (both inter-and intra-state), yet its regimes, mostly undemocratic, rely on patronage as one way to survive politically. One way to possibly disentangle the rival explanations for variance in Arab military spending is to compare countries relative to both current and expected threat levels, expecting that the higher the threat, the higher the military spending. The difficulty is that in some cases there is a clear rival power to the country under study, but in most cases there is not a competitor. Iran and Saudi Arabia are probably the clearest case of two inter-state rivalry, though even that comparison is difficult because Iran also rivals Israel, and the other majority Sunni Arab countries, along with Turkey. Granted, the rivalry varies, it is fairly intense with Israel and Saudi Arabia, but considerably less with Jordan, or Egypt, for examples. Yet even fairly crude measures of such rivalry do not produce a convincing argument that Saudi Arabia and Iran are responding to each other's military spending, as Saudi Arabia along far exceeds Iranian defense spending over time between 1988 and 2011 (Sorenson, 2014: 120). The other possible pairs of rival countries in the Arab world are Morocco and Algeria, though they have not fought a war since the very brief "sand war" in 1963. The real danger to security in most Arab countries is internal, including the threat from religiously-motivated groups who threaten civil war in many Arab countries. Spending to thwart such groups is difficult to locate specifically, as it may involve military spending along with spending on non-military security forces (gendarmerie, for examples), or social spending to alleviate some of the sources of revolutionary fervor.

The Size of Arab Military Spending. For decades, the largest military spenders have been Arab-majority Middle Eastern countries. Currently the Middle East dominates global defense spending as a percentage of GDP, though the numbers fluctuate, for 2016 the Middle East is still at the top of the list of military spenders, as this table of Arab world countries shows:⁴

Table I: Arab World Military Spending (%GDP)⁵

Country	Defense/% GDP	Rank
Iraq	8.7	2
Oman	8.6	3
Saudi Arabia	7.98	4
UAI	5.5	5
Jordan	4.65	7
Algeria	4.48	8
Lebanon	4.04	11
Yemen	4.02	12
Morocco	3.55	14
Bahrain	3.14	19
Egypt	1.76	53
Tunisia	1.55	57

While military budgets make up a small fraction of the national economy (rarely more than 10 percent), they are often a considerable percentage of total government spending. In the United States, around one-sixth of total federal spending goes for national defense. The Saudi Arabian defense share of the total budget is higher, around 25 percent, (“Recent Economic Developments,” 2015: 3), though other Arab countries the defense to total government spending is lower, with Morocco at around 11 percent, Egypt at 5.3 percent, though Oman spends over 28

percent of its total government budget on national security (SIPRI Military Expenditure Database, 2015).

Rent Seeking Militaries in the Middle East. Springborg (2011: 397-399) gives a useful spectrum of military business involvement in the Middle East, starting from high (Egypt and Iran, with economic activities spanning almost the entire national economy), through Syria and Sudan (where military business activity is restricted mostly to military business) through Algeria (where the military prefers the hidden world of side-payments rather than direct economic involvement) to low involvement (the GCC countries and Tunisia).

Military rent seeking may take many forms, driven by multiple motives. Often military officers accrue personal gains for tangible items (money, homes, vacations, for example), but such motives may mix with pious or nationalist objectives. It was probably a combination of such interests that drove some members of the Lebanese armed forces to transfer weapons to conservative Christian militias during Lebanon's numerous militia wars (Badran, 2009, 48-49). As the army disintegrated during the civil war of 1975-1989, Christian units in particular transferred armored personnel carriers, guns, and communications systems to Christian militias, gaining both money and presumed blessings from their fellow Christian militia fighters. The Moroccan military attempted two coups against King Hassan II in 1971 and again in 1972, as noted in Chapter 3, at least partly because the monarch had rewarded them with enough goods to fuel their desire for even more wealth and prestige (Bendourou, 1996, 108-122). While the regime either executed or jailed some of the coup plotters, Hassan decided to buy military loyalty through the grants of large land tracts for those officers not involved in the putsch (Maghraoui, 2001, 78; Damis, 1972, 31).

Militaries which work for rent may be particularly able to extract higher shares of the budget, particularly when the regime needs their services to survive. Bellin (2004, 144-145) notes when regimes lose their ability to pay their troops or avail themselves of military equipment, they weaken from within, and their coercive power deteriorates. This may be why the Assad regime gave its armed forces hefty pay increases during the large anti-regime protest days of 2011, even though the economy was deteriorating because of the demonstrations (Shadid, 2011). As the Syrian civil war, intensified, the Syrian economy teetered on the brink of collapse, leaving less money to pay regular Syrian military units, and thus forcing the Assad regime to both shift tactics and personnel. The tactics included more use of aircraft (often dropping “barrel bombs” on civilians to weaken the opposition), and the use of Lebanese Hezbollah and local “*Shahbiha*” criminal gang members into alternative military forces (Lister, 2014, 10-12).

The bargaining over control of government ministries in Iraq after Saddam provides evidence of motives that appear to be more about rent-seeking than about national service. Noted one political figure, “If the government allocates \$7 billion to the Ministry of Culture today, tomorrow it will become a sovereign ministry. Everybody is after the money. Nobody cares about the ministry itself.” (Myers, 2010). This is not surprising; the Iraqi army that was born in 1921 has through most of Iraqi history served to protect the regime rather than the borders (Parasiliti and Antoon, 2000, 131). The post-Saddam army that the U.S. and other countries tried to create remained a rent-seeking organization, weakly committed to defending the country, as evidenced by the mass defections of leaders and soldiers alike when the Islamic State attacked across much of northern Iraq in June 2014. Around four divisions, accounting for over 30,000 soldiers, melted away rather than fight, so many that the Iraq defense ministry tried to woo them back, knowing that they were in it for the pay; “Most of those interviewed said they were joining

primarily because they badly needed the pay, not out of any sense of loyalty or desire to fight” (Semple, 2014).⁶

The next section covers select Arab countries in more detail.

Egypt. Egypt presents a challenging case as its military spending very likely represents both a response to genuine national security goals, but is also probably a means to distribute political patronage. The question is which level of explanation is more powerful.

The 1979 Camp David agreements that ended the state of conflict between Israel and Egypt suggests that the promise of lower military budgets and corresponding higher economic growth promised a better life for both Egyptians and Israelis, though the connection between military spending and “better life” is difficult to document. After a survey of third-world economic growth and military spending, Whynes (1979: 152) concludes that, “...Egyptian war casualties in 1972 were...around 11,000 in a year in which defence spending accounted for approximately 20 percent of GNP. In the same year, nearly 250,000 Egyptians died of diseases of the respiratory and digestive systems. The moral is clear – guns kill in more ways than one.” However, Whynes does not demonstrate that these unfortunate 250,000 Egyptians would not have died if Egypt’s defense burden had been lower, a common problem in trying to estimate the effect of spending priorities in general. Still, when countries spend above the world average for national defense, their military forces may either take credit for stimulating the national economy, or, conversely, be blamed for siphoning off funds from more socially desirable things. Thus the defense of the Camp David Accords, which Makovsky (2011) credits for allowing the Egyptian budget to shrink from around 20 percent of GDP in 1976 to around 2 percent in 2009, and thus it...”allowed Cairo to reallocate military funds to economic development projects.”

However, following the 2012 “coup” and the election of retired general Abdel Fattah al-Sisi, the military role in the economy only grew, with the army taking a leading role, supporting new projects like a second Suez Canal (“Pharonic Frailties,” 2014).

When the National Democratic Party dominated the legislature, the Egyptian military budget escaped public or legislative scrutiny, and during the brief Mohammed Morsi rule (2012-2013), one defense official claimed that, “Egypt’s military will remain a red line. Details of the military budget should be kept strictly confidential” (Alabass, 2013).⁷ As parliamentary power grew after Mubarak’s departure, some of the military brass feared that their budget would come under parliamentary scrutiny, thus in November 2011, the army tried to get a constitutional amendment passed by parliament to shield their budget from oversight, but the amendment failed (Tadros, 2012). The military also feared that the Morsi regime might take away its long-planned Suez Canal modernization and given to a Qatari company, which would have removed one of the military’s largest source of revenues (Hauslohner, 2014). However, the Islamist-dominated parliament had little stomach to take on such a powerful actor as the armed forces, and the military’s suspension of that body after the Morsi arrest in 2012 and the “election” of former general al-Sisi all but guaranteed that there would be no legislative scrutiny of Egypt’s defense budget. And that has clearly happened; a recent report noted that “Much about the Egyptian military’s role in the economy is unknown – its budget is secret...” (Hauslohner, 2014). And Egypt’s armed forces retained control of the Suez Canal, and its planned expansion.

Egypt: Military, Inc. The military rule that followed the 1952 Free Officers coup allowed officers to manage the economy, along with the country (Hurewitz, 1969, 135). The coup planners took off their uniforms and ran the country as civilian presidents until 2011. They

retained their connections to the military, empowering their fellow officers, both active and retired, to hold shares of the national economy. By one estimate, a significant majority of Egyptian companies have retired officers at their heads (Interview 9E, 2012). The heads of Egypt's state-owned oil and gas companies are retired generals, as is the head of the Suez Canal Company ("The Egyptian Military Empire," 2014). The military controls many of the agencies that contract for government accounts with private business, so senior officers in those agencies can contact former military colleagues in private businesses to arrange for preferential business arrangements. Noted one importer of satellite equipment, "In every government authority now, there is a military officer. You deal with him," (Hauslohner, 2014). As the 1973 war ended, the Ministry of Defense created the National Service Products Organization, which was the start of a military business conglomerate that made up for a post-war decline in both defense spending and personnel (Abdul-Magd, 2016: 27). Increasingly Egypt's senior officers found themselves running a plethora of businesses that, by some estimates, constituted 15-20 percent of Egypt's GDP.

The military corporations do not pay taxes on their incomes, nor do they have to deal with the bureaucratic morass that often entraps the private sector (Hashim, 2011b, 109). It is noteworthy that when state sector privatization began under Sadat and continued under Mubarak, privatization did not include the military industrial base, and political efforts also protected that base from foreign competition (Interview 6E, 2007). Samir Shehata expressed the implications for the Egyptian military role in the Egyptian economy: "The military as an institution, the high-ranking officer corps, certainly has vested economic interests that could be changed or could be put in jeopardy. If the military was completely removed from politics, then there is no question that these interests would be put in jeopardy." ("Egyptian Generals Running

Child Care Means Transition Profit Motive,” 2011). There was seemingly no activity beyond the scope of Egyptian military involvement; it had influence in arts, letters, and education since Nasser, partly to use these vehicles as a way to disseminate Nasser’s brand of Arab nationalism (Vatikiotis, 1961, 126-127), though these avenues also offered rent for the military, through government-run publishing houses, among other sources of revenue.⁸ The Egyptian military allows their soldiers time off to work extra jobs because military pay is too low for them to survive economically. This allows the Egyptian army to bring in troops from the ranks of the poor to simply provide jobs at very low pay (Interview 5E, 2006), and then let them work in the afternoons.⁹

The military economic connections ran through U.S. military assistance, which some Egyptian military officials funneled into their personal gain. In the 1990s, the U.S. military contributed millions of dollars to build a 650-bed military hospital outside Cairo to care for Egyptian soldiers, but later discovered that its military operators had transformed it into a commercial venture, to include medical tourism with lavishly furnished “royal suites” for wealthy international patients and ex-presidents (President Hosni Mubarak was a “guest” there after his removal). The hospital situation revealed more questionable purchases by Egyptian military officials, including a fleet of Gulfstream jets for \$333 million that were intended to be used for mapping but wound up as VIP transports (Roston and Rohde, 2011; Interview 1E, 2009).

U.S. influence helped in other ways; the Egyptian Abu Zaabal Tank Repair Factory won a contract from the U.S. to produce the U.S. designed Abrams tank and other heavy military equipment, generating tens of thousands of jobs near Cairo since the late 1980s. The Egyptian Arab Organization for Industrialization, part of the military defense conglomeration, claims to

employ 14,000 workers, and overall, the military industry states that it provides work to over 40,000 Egyptians, though other sources claim twice that number (Marshall, 2012). While many of these jobs stem from government spending which may crowd out other more permanent or efficient forms of job creation, they also create dependencies that are difficult to curb.

Paradoxically, U.S. financial assistance may also have contributed to privatization that challenged the Egyptian military economic sector. A \$10 million endowment from the U.S. Agency for International Development reportedly helped to create the Egyptian Center for Economic Studies, an impressive-sounding name for a group of wealthy Egyptians led by Gamal Mubarak, the former president's son. This clique now stands accused of selling off public assets worth over \$90 billion, and pocketing the difference between what they returned to the treasury and the asset's worth (Grimaldi and O'Harrow, 2011). At least some of these assets came from former and active military officers. Thus, as noted earlier in this chapter, fear of Gamal Mubarak's rising economic power was one factor in the army's loss of support for his father (El-Fegiery, 2012, 2; Gelvin, 2012, 62).

In 2011, the Egyptian Supreme Military Council decided to remove almost all the Mubarak-era cabinet members except for General Sayyid Meshaal as minister of military production ("Answering the Public, Egyptian Prime Minister Names New Cabinet," 2011), only fueling suspicions that the military-dominated interim government was protecting its own interests. Some argued that the Mubarak's empowering of the new class of crony capitalists to balance military influence was at least one factor in the military decision to join the Mubarak ouster forces (Martini and Taylor, 2011, 129-130).

Probably knowing that their role in the national economy would draw scrutiny and criticism, the military involved defended their business stakes by arguing that the projects, run

through the National Service Projects Organization, would resolve income inequality and foster economic development (Cook, 2007, 81). They also recognized that a private economic role would make the military less dependent on the national budget for its resources, because in the face of the lack of a viable Israeli threat and demands for budget austerity from international lending agencies placed political demands on the military to seek less from the national treasury (Harb, 2003, 286).

Egypt's armed forces business involvement started initially to provide jobs for the thousands of Egyptian troops demobilized after the 1979 Egypt-Israel peace treaty ("Khaki Capitalism," 2011). That involvement grew considerably, and now the Egyptian armed forces run olive oil processing plants and cement factories, along with enterprises distributing water, gasoline, and other commodities. Egyptian officers run malls, a bottled water factory, and air conditioning and refrigeration companies that sell to the civilian consumer sector, among other enterprises, and probably employed over 50,000 workers (Interview 6E, 2007). These activities gained public support when former President Mubarak ordered the Egyptian army to use its bread factories to bake bread during the grain shortage of 2008 (Bumiller, 2011). By some estimates, Egyptian military industries constitute between 5 and 15 percent of the Egyptian economy (Shane and Kirkpatrick, 2011). Other analysts suggest that the real number is closer to 30 or 40 percent, though this estimate is disputed (Interview 9E, 8E, 2012; Elgindy, 2012, 94). One official described the Ministry of Defense as "a profit-making organization," whose intake includes revenues from Suez Canal passages (Interview 1E). The Ministry of Military Production lists a variety of military-owned businesses, including the El-Nasr Company for Services and Maintenance (75 percent owned by the military, and the rest private ownership by retired generals) with over 7,000 employees working in child care, automobile maintenance, and hotel

administration (“Egyptian Generals Running Child Care Means Transition Profit Motive,” 2011).¹⁰ Al-Toraifi (2012) notes that the scope of Egypt’s military business is so large that the armed forces could offer the government a billion U.S. dollar loan, indicating the size of the undeclared monetary surplus it has earned from its enterprises.

Egypt’s armed forces have a tradition of rent-paying; Egyptian soldiers actually begged for service in Yemen during Egypt’s involvement in the Yemeni civil war in the 1960s, because of the large material rewards offered for service. (Hashim (2011, 71; McGregor, 2009, 261). One consequence was that the war led to the emergence of a corrupt privileged officer corps that enjoyed wealth and access denied to Egyptians who did not serve in that conflict, creating not only disgust of the Yemeni war veterans but also a pattern of Egyptian military rent-seeking.

Between 80,000 and 100,000 persons work in Egypt’s military-operated defense industries, making tanks, and coproducing aircraft and other military equipment (Droz-Vincent, 2007, 200). These factories have expanded into the civilian sector, producing washing machines, clothing, food, medical services, automobiles and other items (Droz-Vincent, 2007, 201).

General Abd al-Halim Abu Ghazala, former President Mubarak’s classmate in the Egyptian Military Academy, and one of the most powerful military officers under Mubarak (until his 1988 firing) persuaded the U.S. to transfer funds to the Egyptian Passenger Car in 1986, apparently because Ghazala wanted an engine plant for his military vehicles (Springborg, 1989, 110-111). Like the Egyptian Passenger Car deal, much of the military production is co-mingled with civilian work through the Arab Organization for Industrialization, so military vehicles and sewer pipe production coexist in the same bureaucracy, which may help efficiencies but also maintains a degree of opacity over the real role of military industries and their beneficiaries. While such enterprises appear to provide rent to the military owners and operators, one Egyptian official put

a different spin on it, “We help the Egyptian people, because the defense budget is lower because we earn some of our own funds” (personal communication, February 2012). The Egyptian military also claimed that their economic activities help to supplement other bureaucracies to help “institutionalize” the state (Hillel, 2013: 184). Other defenses had a similar ring; the Food Security Division of the Egyptian armed forces claimed that it had entered the farming and food sector to allow self-sufficiency for the military food supply (understandable for a country that has imported almost half of its food supply for decades), but the thousands of hectares have not only earned the military considerable sums of money, but also allowed for partnerships with Egypt’s private sector through the buying and selling of land. Notes Springborg (1989, 115), “...the military favors the private sector, not only because it perceives it as more dynamic and possessing superior resources, but also because of its ability generously to reciprocate favors granted.” The military also claim that they engage in business because “the people trust the final product from the military,” arguing that the armed forces took control of a highway project that the public-private contractors had failed to finish on time...” “You can go look at it now and see how fast it’s moving.” (Hauslohner, 2014).

In August 2014, President Abdel-Fattah Sisi announced a series of mega-projects around the Suez Canal, including a second canal, a road network, and an air terminal, all at a total cost of over \$200 billion US, with 37 Egyptian companies, and “...with the army in overall charge” (Ezzat, 2014). Joining these projects were massive land reclamation ventures that would dramatically increase the habitable area of Egypt from five percent to 20 percent, through a series of canals, new cities, and irrigation schemes, along with investment in tourism and industry, all to be managed by the armed forces (Frisch, 2013: 184-186). Despite serious

questions about the viability and cost of these projects, they continue apace, serving to enhance the political and economic power of Egypt's soldiers.

Jordan. While Jordan is a small country, its defense budget is relatively large, prompting vindications of its size by relatively pro-monarchy outlets. However, in contrast to Egypt, the impact of the Jordanian armed forces on the national economy is considerably less. There is influence, however. The *Jordan Times* was blunt about the positive impact that Jordan's military budget had on the Jordanian economy:

In order to examine this issue comprehensively, it needs to be mentioned that the military is a major employment agency, hiring thousands at a time when unemployment is still a major problem in the country. Those employed by the military and security agencies and their families, enjoy medical insurance and, for the most part, are assisted with their housing, education, social security and other expenses that give them a more favourable status than that of the rest of citizens. At the same time, thousands of practicing physicians, engineers, computer technicians and others working in badly needed professions were trained by the military. In other words, the heavy expenditure of the military and security helps not only the security but the national economy as well. That is money well spent ("Necessary Spending," 2012).

The Jordanian military earns rent by sending its officers to Gulf Arab countries where salaries are higher than in Jordan, (Droz-Vincent, 2006, 199), and foreign assistance and rents earned by Jordanian oil laborers working in Arab oil countries allowed the government to pay generous subsidies to a broad swath of its population (Brynen, 1992, 80-81), thus offsetting what funds

went to defense spending More significantly, the Jordanian military budget became an engine of economic growth during state formation; the army was the largest employer of Jordanian males after agriculture, and around 50 percent of village men had jobs in the army in the 1960s, by 1997 ten percent of the labor force worked in the military (Baylouny, 2008, 287, 301).

Jordan: Military, Inc. In contrast to Egypt, Jordan's armed forces are not directly involved in domestic business, but instead benefit from a close yet informal ties between the military and the Jordanian business community. Notes Curtis Ryan, "A distinctive feature of Jordan's construction industry is that it is one of the more popular civilian career areas for Jordan's military officers after they retire. The extent of retired military participation in the civilian construction industry underscores the blurred lines in Jordan between private economic interests and the public sector political elite." (Ryan, 1998: 395). Jordan's armed forces did expand their business interests in military production through the King Abdullah II Design and Development Bureau (KADDB) in 2005, allowing Jordan to both produce and co-produce military equipment for its own forces and for export. The case of the Jordanian Aeronautical Systems Company is instructive; it is a part of the Royal Jordanian Air Force, but it also has private partners and is a profit-making company (Author's interview, 2011), as is KADDB, which produces equipment and offers training to the Jordanian military and beyond, to Gulf militaries in particular (Baylouny, 2008, 302). KADDB generates a considerable profit (US\$ 400 million per year just from its industrial park), but it, as a quasi-government body, does not pay taxes and receives favorable government subsidies, so it may actually be costing Jordan rather than contributing to the national treasury (Marshall, 2016: 127). Beyond KADDB, Jordan'

Yemen. Yemen is the poorest country in the Arab world, and with a large army that faces both internal and external threats, it is not surprising that there has long been military rent-seeking. The armed forces were often vessels to be filled with soldiers who joined for salaries and the opportunity to collect rents on the side (“Yemen’s Security Sector: Seeds of New Conflict,” 2013). Yemen’s military was considered so corrupt that when U.S. pressure for more coastal patrol grew, Yemen (with U.S. support) established a new coast guard rather than expand the traditional navy (Interview 2Y, 2005).

The Yemeni military also has its hands in the business sector. As Clark (2010, 122-123) documents, the Military Economic Corporation, headed by the top military brass, started provisioning the Yemeni military with military basics, but soon expanded into producing bathroom fittings, shower curtains, and other clearly non-military items, along with expansions into oil-producing land and other real estate options. Other army leaders have shares in telecommunications, oil companies, and the Ministry of Defense manages private enterprises for the benefit of senior officers (Kimball, 2012). The military also runs hospitals, which are also sources of graft and price-gouging, by the military in collusion with civilian aid workers (“Despite New Era...,” 2014). The Yemeni military is also engaged in less opaque practices of smuggling food, fuel, and other goods, as well as re-importing weapons to embargoed countries like Sudan, something that Saleh encouraged since the 1980s (Gaub, 2016).

Yemen: Military, Inc. As a former military officer himself, Yemen previous President Ali Abdullah Saleh understood that in a poor country, military patronage is one key to buying military loyalty, so he arranged for his armed forces to have an exclusive entry into Yemen’s economy. Thus Yemen’s armed forces have exclusive ownership of the Military Economic

Corporation (MECO), now known as the Yemen Economic Corporation (YECO), which used to distribute commodities of all kinds to local communities, but as subsidies dried up, YECO moved into land purchasing (allegedly for military use, but in reality for military profit), and builds enterprises on military-owned land (“Tourist City” in Sana’a, for example), and pockets the profits (Seitz, 2016: 160-163; *Yemen Corruption Assessment*, 2006, 4). In the post-Saleh era, the new leadership is attempting to ferret out military corruption, partly by getting military payments directly to the soldiers rather than running them through senior officers along with effort to remove the members of the Saleh family who still control military units (Ignatius, 2012), but because the corruption also ties into the traditional tribal identities of Yemeni military members, reducing it will be difficult until tribal identity itself is more subsumed into Yemeni identity.

Saudi Arabia has had high levels of military spending relative to GDP, even after arms sales tapered off in the 1990s (Cordesman (2009, 135)¹¹ For 2014, Saudi Arabia increased its defense budget from the previous year by 14 percent, topping the United Kingdom, France, and Japan, countries with much larger populations, ranking it fourth in the world (Baker, 2014). While there are multiple reasons for Saudi military expenditure levels (Sorenson, 2014), one explanation for their largess is rent payments to senior officers, an explanation consistent with the bargain that the Saudi state struck with its military in 2011 to give all a promotion and a pay increase.

As Herzog notes about the Saudi Arabian system, “The incredibly rapid growth of the Saudi bureaucracy has led to the clientelist employment of many mid-and low-level bureaucrats with limited qualifications and limited motivation. It did not take long for jobs to be seen as an entitlement. These entitlements have been tied to the broad patronage of individual princes as

Sultan in the vast Ministry of Defense or Abdallah in the National Guard...” (Herzog, 2010, 23). While it was not clear whether Herzog was describing civilian employees or military personnel in the MOD, the argument is applicable to many officers in rentier states where payoffs include plum appointments, foreign travel, access to modern weapons, and side jobs.

As Saudi Arabia plans to lessen its economic dependence on petroleum, one plan calls for the creation of an indigenous defense industry (“Black Gold, White Gold, 2016). This will build on an effort started several years earlier to the creation of the General Organization of Military Industries, under which Saudi Arabia manufacturers armored vehicles, wing modifications for F-15 fighters, and the co-development of drone aircraft (Saab, 2014: 34-36; Karasik, 2013). In Saudi Arabia, the Abdullah al-Faris Company for Heavy Industries manufactures the al-Fahd Infantry Fighting Vehicle and the Al-Faris 8-200 Armored Personnel Carrier, along with the Ashibl 1 and Ashibl 2 armored vehicles (Karasik, 2013).

Tunisia. The Tunisian military has also absented from economic involvement, preferring to spend its time on military professionalization (Interview 1T, 2011). It is significant that while there was little threat of a Tunisian military coup during the Ben Ali era, the military was the force that he feared the most, and thus he moved most bases out of Tunis (Author’s interview, 2011). Yet Ben Ali did not offer the armed forces a piece of the Tunisian economy, as did other autocrats, to attempt to buy their loyalty. The only economic role the Tunisian military does play is the operation of the Borj Al-Amri Aviation School, associated with the Tunisian Air Academy, which trains not only military but also commercial pilots and aviation technicians (Interview 5TN, 2004). Tunisia’s armed forces were never integrated into Tunisian political power spaces and thus they have not garnished the types of economic benefits that accrue to other Middle

Eastern militaries. Their reason for supporting the removal of President Ben Ali was not that he challenged their business interests, because they had none, but rather because the army has long been supportive of a republican constitutional system that they believed Ben Ali had violated (Sayigh, 2011).

Algeria. Algeria has not fought a war since the early 1960s, and though it has a tense relationship with Morocco, it is hard to argue that Morocco poses much of a threat to Algeria. Algeria does have an internal threat, from jihadi Islam, though it can be argued that the Algerian military helped to manufacture that threat when it intervened to cancel elections in 1991-2 that would have brought the moderate Islamist group FIS to power. But the bloody Algerian civil that followed those repressed elections defeated the radical jihadis. Yet Algeria's military budget, at 4.48 percent of GDP, is the eighth largest in the world.

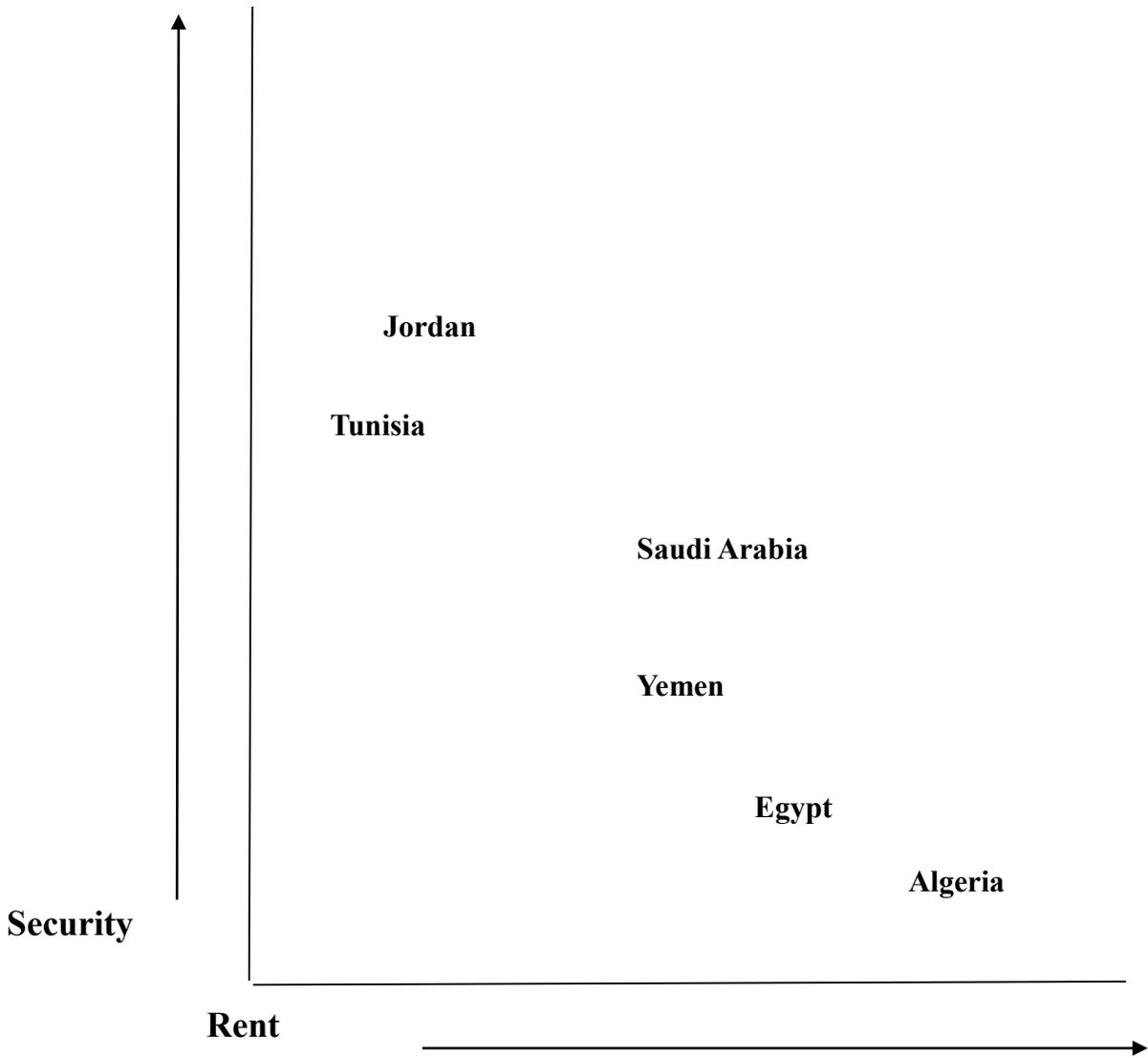
The military budget may reflect the political power of the Algerian armed forces, which expanded into virtually all walks of Algerian life during and after the civil war, moving into many economic sectors and insuring that the president (since 1999, the very ill Abdelaziz Bouteflika) would not interfere with the army's political power (Sorenson, 2007: 104-105).

Algeria's military industry reflects the military's desire to become independent of both Russia and the West, though it is tied to both. Its defense industry capacity ranges from the small (bullets) to the significant (military ships, including corvettes and frigates, along with armored vehicles (Zeraoui, 2012, 138). The industry co-produces armored vehicles with Germany, along with Mercedes trucks, allowing the military to spend money for its benefit politically. As Italian analyst Marco Di Liddo, who stated that, "Military spending nourishes the power of the armed

forces at a time when they are in competition with the civilian government for influence and as the country's president is seeking to strengthen politics at the Army's expense," (Kington, 2014). The sons of senior Algerian military officers run some of the industries that supply the armed forces, providing goods such as sugar and butter, and there have been allegations of corruption stemming from their favored status (Interview 2A, 2005). While Algeria's armed forces do not own and operate industrial and land facilities producing side payments to the army, the senior officers gain significant wealth from their service. Notes Slyomovics (2011), "...decades of formal and *de facto* military rule have resulted in a military establishment that directs the country's resources with the result that many individual, high-ranking officers have amassed great wealth." This was but a part of a larger involvement in the national economy by Algeria's military elite, as Dilman (2000, 95) observes, "Some military elites became pseudo-private actors, importing through their own companies, taking commissions on imports, or facilitating access by private companies to import contracts," allowed because of a 1995 regulation that allowed officials to manage foreign exchange transactions on behalf of traders. Moreover, again according to Dilman (95-96), military officials joined other state bureaucrats in benefitting from rents stemming from the privatization of the former pharmaceutical sector by signing on to joint-venture enterprises that gained an oligopoly over drug imports.

Conclusions. This paper has attempted to compare rival explanations for military spending in select Arab countries, contrasting spending for legitimate national security purposes with spending that is largely designed to pay military rents, mostly to purchase military loyalty. As expected, there is no clear choice, where some countries dedicate their defense funding almost exclusively to either security or rent, though there are some pretty clear tendencies. If the

countries under study could be located relative to their emphasis on either security or rent payments, they might look like this:



Ranking of Middle East Military Power

Country	Def Budget	% gov spend	Frontline Per.	Tanks	Aircraft
Israel	\$15 billion	13.2%	176,500	3,870	680
Turkey	\$18.1 billion	5.7%	410,500	3,657	989
Saudi Arabia	\$56.7 billion	27.4	233,500	1,095	652
UAE	\$14.4 billion	17.4*	65,000	545	444
Iran	\$6.3 billion	15.2%	545,000	2,409	481
Egypt	\$4.4 billion	5.3%	468,500	4,767	1,100
Syria ¹²	\$1.9 billion	n/d	220,000	4,950	473
Jordan	\$1.5 billion	14.6%	110,700	1,321	246
Oman	\$6.7 billion	28.2%	72,000	215	101
Kuwait	\$5.2 billion	8.3%*	15,500	368	101
Qatar	\$1.9 billion	n/d	11,800	90	72
Bahrain	\$730 million	14.2	13,000	180	105
Iraq	\$6 billion	13.3%	271,500	357	212
Lebanon	\$1.7 billion	14.2%	131,100	318	57
Yemen	\$1.4 billion	14.3%*	66,700	1,260	181

Source: Armin Rosen, Jeremy Bender, and Amanda Macias, “The Most Powerful Militaries in the Middle East,” *Business Insider*, October 27, 2014, based on information from the Foundation of Defense of Democracies' Military Edge project, and Chris Harmer, senior naval analyst at the Institute for the Study of War.

*2014 figure

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¹ The views in this paper are the author's own, and do not necessarily represent the views of any U.S. Government agency.

² The range is from Chad at #1 (80% of the population live under the poverty level, to Taiwan (162, with 1.5% under the poverty level. The years for each country vary considerably, from 2001 to 2014, making comparisons difficult. CIA World FactBook, accessed June 7, 2016. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2046rank.html>.

³ The CIA World FactBook, accessed in June 2016, has 2014 as the latest data year.

⁴ These and similar reports on military spending must be understood as estimates with often unknown error terms because, as Cordesman (2009, 134) notes relative to Saudi Arabian defense spending, "It is impossible to assess how Saudi military and security expenditures are spent in any detail using unclassified data." This is because such budget amounts do not often specify whether the funds are going to the regular armed forces, the state security forces that are often under a different ministry, or both. These amounts do not necessarily include spending on paramilitary forces, whose budgets sometimes exceed the funds spent on conventional military forces. Many other Middle Eastern countries devote considerable portions of their overall security spending to paramilitary forces, which often field equipment comparable to regular militaries, and Iran's Islamic Revolutionary Guard Corps maintains an air force and navy in addition to its considerable ground forces.

⁵ Source: CIA World FactBook, accessed 2016. Data not available for the UAE, but its 2011 percentage was 5.5, which would have placed it between 5 and 6.

⁶ To be sure, rent-seeking was only one of the reasons why the Iraqi military failed in the ISIS assault; other reasons included the politization of the army by Nouri al-Malaki, who used its units for clear sectarian purposes, turning army units on Kurdish and Sunna groups, and adding "political commissars" to military groups to assure loyalty to Malaki, rather than to the state. These factors are discussed more in Chapter 4.

⁷ Yet in other cases, there is at least a modicum of parliamentary or ministerial oversight of defense budgets. For instances, the Yemen parliament demanded that the Ministry of Defense perform better in guarding pipelines against internal sabotage (Darem, 2014).

⁸ In one of the more curious cases of potential rent-seeking behavior, the fabled Cairo Opera, a centerpiece of Cairo culture since at least 1869, found itself with an Egyptian general as its director. The consequences were predictable, for Ati Metwaly (2011), "The early 2000s brought General Samir Farag as the head of the Cairo Opera House. During his directorship, the whole Opera House underwent a reshuffling of artistic priorities. A military person is not expected to understand musical dynamics or the requirements of an artistic institution; but this remains inexcusable. The slow decay of artistic values, which infiltrated the opera every year, started affecting all the companies working under its umbrella. During Farag's management, internal quarrels started escalating that eventually led to the removal of El Saeedy. Subsequent directors of the Opera may not have been strong enough to bring back its years of glory.

⁹ Officials cautioned the author not to drive near Egyptian military bases in the late afternoon because of fears that soldiers might commandeer the vehicle and use it to take them to their afternoon jobs.

¹⁰ The power of the military managers became more apparent when the Supreme Military Council dismissed almost all of the Mubarak-era ministers from the cabinet, but retained General Sayyid Meshaal as Minister of Military Production, leaving the impression that the military was protecting its own economic niche (MacFarquhar and Al-Naggar, 2011).

¹¹ Arms sales have returned to record levels, with Saudi Arabia signing long-term contracts for close to \$75 billion US over a decade.

¹² Before 2011.