

## 1 Introduction

The economics of the military establishments of the Gulf Cooperation Council (GCC) states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates [UAE]) are chronically understudied. This work aims to begin filling this lacuna in the scholarly literature. Given the socio-political and socio-cultural complexities and attributes of civil-military relations and defense economics in the region, an analysis of “simple demand-and-supply market activity” could not do justice to this subject; therefore, I adopt a political economy approach instead (Wahid 2009: 14).

### 1.1 Research Questions and Arguments

The extant literature on the defense and security affairs of the GCC is still sparse, even though the political and economic clout and strategic weight of the six Gulf monarchies have steadily increased in recent decades. All too often, general studies on the Middle East and North Africa (MENA) still ignore the states on the Arabian Peninsula or fail to recognize the significant differences between Arab monarchies and republics. From the perspective of military-security issues, the most important disparity between them is that, in contrast to republics, in monarchies the military as an institution has not played a political let alone state-building role, the generals’ political influence has been negligible, and the GCC armies’ officers have not been involved in their national economies.

This Element seeks to answer several fundamental questions. What political imperatives have guided the development of Gulf armed forces? Insofar as the public’s ability to influence military expenditure is highly limited, what are the primary factors that explain the patterns of military expenditure in the Gulf states? What have been the macroscopic trends in Gulf defense budgets since 2011? What is the nature of the Gulf states’ domestic defense industries, and what factors account for the intra-Gulf variation in these industries?

In recent decades, the GCC states’ weapons acquisition programs have represented a massively disproportionate share of global arms purchases, and in per capita terms, the Gulf region has the highest military spending in the world. Paradoxically, their military performance has been weak, most recently demonstrated by Saudi Arabia’s inept performance in the Yemen Civil War (2015–). Some reasons for the Gulf armies’ ineffectiveness are found in socio-cultural causes, but several stem from political-structural and economic sources. This Element will seek to understand what aspects of defense economics can be said to be responsible for this great disparity between defense spending and military performance.

*1.1.1 Key Points and Arguments*

The unique configuration of geopolitical, social, and economic circumstances faced by the Gulf countries have spawned an unusual set of military institutions and practices that merit exposition. In particular, they have extremely high levels of military spending and there is very little oversight that regulates the states' defense outlays, which together yield an inefficient and underperforming military.

This Element advances four broad arguments. First, the Gulf countries' geographical and natural endowments act as a double-edged sword: on the one hand, their strategic position and abundant fossil-fuel resources allow them to realize high living standards; on the other hand, these attributes also make them vulnerable to security threats from inside and outside the region. Therefore, they are characterized by a large latent demand for military spending, combined with a high capacity to spend militarily, especially on a per-capita basis. The Gulf states' defense budgets, already enormous for the size of their territory and population, have increased faster in the 2010s than in any other region of the world – despite the challenges of declining oil prices, growing populations, and a host of additional troubling economic problems – responding to the security challenges signified by the Arab Spring and the (perceived) growing threat from Iran.

Second, owing to their socio-political structures, the ability of the public in Arabia to exercise control over the size and nature of military spending is essentially nonexistent. In these absolute monarchies, there is little popular representation and the only limitation on the rulers' policies comes, if at all, from within the royal family itself. In other words, only the ruling family enjoys control over the amount of resources and the manner in which they are expended on defense and security. The consequence of this lack of civilian oversight tends to be high levels of corruption, which reinforces the latent demand for military spending. In many political systems, weapons acquisition creates broad opportunities for large-scale embezzlement. Some of the Gulf's ruling families have amply utilized these occasions for fraudulent transactions. At the same time, it must be noted, Arabia is by no means one of the world's most corrupt regions.

Third, the lack of oversight also distorts incentives in military procurement. Rather than a pragmatic response to actual needs relating to national defense, political calculation and institutional and/or individual vanity have often motivated or even determined defense spending patterns in general and armaments acquisitions in particular. The second and third arguments point at political-structural factors that contribute to and help explain the ineffectiveness and general underperformance of Arabia's armies.

*The Political Economy of Gulf Defense Establishments* 3

Fourth and finally, the desert climates and political development paths of the Gulf countries have combined to leave their domestic industrial capacity weakened in all domains. Consequently, their military spending is dominated by foreign purchases, with extremely limited domestic defense industries. To offset this long-term reliance on the world armament market, in recent years Saudi Arabia and the UAE have pursued a program of indigenous military manufacturing. The different approaches of the two governments to developing their domestic defense industry reflect the disparities in their overall strategies toward economic and military-security development.

*1.1.2 Road Map to This Element*

This Element proceeds in six parts. In the next section, I will consider the political system of Gulf monarchies as it is indispensable to understanding the ways in which their defense establishments are developed and managed. The third segment focuses on the Gulf Cooperation Council and explores why it has not succeeded in realizing meaningful collaboration between its six members in economic, political, and military realms. The following part begins with a brief look at the Gulf states' overall economic health, relays the challenges they have faced in recent years, analyzes the burden of defense spending, and then traces the huge increases in their military outlays, particularly since 2011. Next, I focus on what type of armaments Gulf states purchase, from whom, and why, and explore the issue of corruption that all too often accompanies defense procurement. The penultimate part is devoted to a brief look at the issues of weapons and facilities maintenance and expansion, and explore the development of domestic defense industries. In the concluding section, I explore the negative effects of the Gulf states' defense economic attributes on their armies' performances in Yemen and reassess the arguments.

## **2 The Domestic Political Environment**

The Gulf monarchies are authoritarian systems that fit comfortably into H. E. Chehabi and Juan Linz's conceptualization of the "sultanistic" regime subtype (Chehabi and Linz 1998). Gulf rulers allow virtually no political debate, embrace what may well be described as "cult of personality," and their power is anything but well-defined; "in all the world perhaps only the monarchs of Swaziland and Bhutan hold" as much power as the Gulf royals (Lucas 2004:104). The political systems of the Gulf are quite simple, dependent as they are on individuals rather than institutions.

## 2.1 Family States

When contemplating the Gulf ruling families' hold over the state, it is hard not to invoke Louis XIV's immortal declaration ("*L'État c'est moi!*") that has depicted absolute monarchies ever since. To be sure, the royal families of the Gulf are constrained by some "soft factors" such as Islamic norms (i.e., ruling as Islam requires), attention to consensus building, and including family members and other elites in the formulation of decision-making. Still, they view themselves as the owners rather than the rulers of their countries. This attitude may be unseemly, but it is hardly unwarranted. In many respects, they are, even now, like the medieval king, who, as Reinhard Bendix explains, "governed his country like a giant household. There [is] little distinction between public revenue and income derived from the royal domains . . . . Members of the royal family participated in affairs of state as a matter of hereditary right" (Bendix 1980: 248). The Gulf kings' purported proprietorship of their realm helps distinguish their reign from those of the Arab republics' strongmen.

In the Gulf monarchies, no decision of consequence is made and no policy is devised, let alone implemented, without the rulers' agreement. They make laws that need not be justified, for the rulers are not accountable to anyone, even if they consult family members and advisers. If there is some sort of pseudo-parliament in the country, it may "enact" these laws, but that endeavor is really just a nicety, a charade, because the very existence of a legislative organ is at the mercy of the ruler – even Kuwait's National Assembly, a partial exception in Arabia's mostly toothless representative bodies. The laws are put into effect and enforced by institutions whose staff collectively and individually serve at the pleasure of the monarch. All power in the land flows from the ruler: first to members of the royal family, then to preferred clans, tribes, approved religious authorities, important business families, and a wide range of individuals. The state can and does punish citizens with impunity, whether innocent or guilty, with any penalty or retribution it sees fit.

The royal families are the essential core of the absolute state. They tend to be unusually large by the standards of non-Arab monarchies; just how large varies according to how the family is defined. The most expansive is Saudi Arabia's Al Saud family; the kingdom's founder, Ibn Saud, had more than 40 sons and even more daughters. Depending on who is doing the counting, the royal family includes between 15,000 and 30,000 princes and princesses (Kulich and Mazzetti, 2016; Kéchichian, 2001). Even the Al Khalifa, tiny Bahrain's ruling family, has approximately 3,000 to 5,000 members of different status and in various branches, making up 0.43 to 0.72 percent of the country's 689,000

*The Political Economy of Gulf Defense Establishments* 5

citizens.<sup>1</sup> The smallest is Oman's Al Said clan; its royal family has only 85 male descendants with both Omani parents who could be considered the legitimate heirs of the late Sultan Qaboos. Marriages between the royal families of the Gulf are common; these unions strengthen relationships and alliances across Arabia. It is important to understand that in a royal family of thousands, only a small proportion of princes are truly influential. In a small country like Kuwait, with a citizenry of 1.2 million, at most a few dozen princes are prominent; in the much larger Saudi context, there are probably several hundred. Of course, being an Al Sabah in Kuwait, an Al Thani in Qatar, or an Al Maktoum in Dubai confers privileges, prestige, and *wasta* (pull, clout, connections), but this does not necessarily mean that a person is excessively wealthy or enjoys great influence.

One crucial area where royal blood consistently pays dividends is the labor market, especially for public sector positions. Gulf rulers exercise their power through their entire extended families. These family members are the top clients of their royal patron, whose loyalty needs to be reinforced and guaranteed by perquisites and benefits, such as well-remunerated employment that often requires modest exertion. The vast majority of key jobs in government and the judiciary, as well as broad swathes of the economy, are held by members of the royal family or, to a lesser extent, influential tribal leaders who have long been associated with them. This is even more true for positions of strategic significance or sensitivity.

The most consequential of these are in the monarchies' defense sector. The ministries of defense, interior, and foreign affairs are almost always headed by royal family members; these men – and occasionally, though still very rarely, women – also have first dibs on top jobs in these ministries. Such appointments include deputy and assistant ministerships, department headships, and in the foreign ministry, ambassadorships to important allies, powerful countries, and trading partners. The most sensitive command positions or those in high-profile combat units in the state's coercive apparatus are usually held by royal family members.

The ruler typically has a number of sons and nephews, and royal families tend to have several branches. The ambitions of the sons and the goodwill, allegiance, and aspirations of the leaders of other branches to the ruler and his family need to be buttressed and satisfied with prominent and lucrative public sector positions. This is one of the main reasons for the proliferation of government offices and departments and, in the defense-security sector, of

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<sup>1</sup> Interview with a Bahraini demographer (Manama, December 3, 2015). The population number is from 2019.

new agencies and organizations. The primary and most binding allegiance of the people in these jobs is to the ruler from whom, directly or indirectly, they have received them. Since they operate in a system that is akin to a large family enterprise, their loyalty is not to an institution – say, the constitution or parliament or even a ministry – but to the head of the royal family. In a system like this, loyalty to the ruling family and personal connections are more imperative than aptitude or suitability. This absence of meritocracy is one of the fundamental reasons for the ineffectiveness of the Gulf states’ institutions, including their armed forces.

## 2.2 Centralization and Absolutism

A key attribute of autocracies is the centralization or even “hyper-centralization” of authority in the hands of the king and his closest family members. In the absolute monarchies of the Gulf, this trait is reinforced by inflated deference to authority, passivity, and conformity. This deference to authority is, indeed, the flipside of the centralization of authority and the reluctance to devolve power and delegate responsibility (Pollack 2019: 378). Decisions are made by an extremely small circle of people. For instance, in the UAE, the Crown Prince, Mohammed bin Zayed (a.k.a. MbZ), and his closest advisers make most decisions, even on issues that a colonel or brigadier would resolve in the US, the UK, or Israel. More generally, hyper-centralized decision-making, overlapping jurisdictions of central and local governments, and other bureaucratic challenges often cause the failure to put ambitious public policies, such as Saudi Crown Prince Mohammed bin Salman’s (a.k.a. MbS) Vision 2030, into action.

Furthermore, even at the top of institutional hierarchies, information tends to be compartmentalized and areas of competence and responsibility are carefully guarded because they are a source of power, guaranteeing one’s continued relevance. “A veteran of Pentagon turf wars,” an American observer wrote, “will feel like a kindergartner when he encounters the rivalries that exist in the Arab military headquarters” (De Atkine 2000: 21). Even senior bureaucrats and military officers often know little outside of their narrow specialization and tend not to take advantage of opportunities that present themselves and not demonstrate personal initiative for fear of making a mistake or possibly stepping on the toes of a superior. Moreover, if possible, even relatively high-ranking defense officials tend to avoid or put off making decisions because of qualms about potentially overstepping boundaries.

And yet this setup of an absolute monarchy – resting on the pillars of oil revenue, tribalism, religious and business establishments, and a coercive apparatus – has served the Gulf kingdoms well. While the constitutional monarchies the British

*The Political Economy of Gulf Defense Establishments* 7

bequeathed to Egypt and Iraq lasted only a few decades, the absolute monarchies of Arabia have had no major challenges to their survival. It is no wonder why Gulf rulers reject calls from their feeble opposition to embark on reforms – such as a popularly elected legislature that would bring the public into the decision-making process – that could lead to enhanced political participation and, in time, to constitutional monarchies. For, from the rulers' perspective, the arrangements required by a genuine constitutional monarchy would introduce a large number of variables into the equation that would only weaken their hold on power.

To be sure, there are some differences in just how absolute the rule of Gulf monarchs is. At one end of the spectrum is Kuwait, where the royal family tends to devolve a measure of decision-making authority to the National Assembly. Bahrain did have genuine elections in the past (1973, 2002, 2010), but the opposition boycotted the 2014 contest and the last one, held in 2018, was little more than a farce (Al Ghanim 2010). Placed toward the other end of the scale are Qatar, the UAE, and Saudi Arabia, where citizens enjoy virtually no genuine political representation, although each of these states maintains a Consultative Assembly or some kind of ostensibly representative body. Oman's long-reigning late Sultan Qaboos probably concentrated more power in his hand than any of his peers in Arabia, though he, too, granted some choice to citizens to choose from candidates, preselected by the state, for the Consultative Assembly, the lower house of the Council of Oman.

The bottom line is that in Arabia, all reforms targeting liberalization or changes permitting a modicum of popular participation are easily reversible and are entirely at the pleasure of the rulers. A salient example is the 2018 "reform" in Saudi Arabia that lifted the ban on female drivers – the only country in the world where people were prohibited from driving based on nothing but their gender. The point here is that Crown Prince Mohammed, as a representative of the Saudi state, granted this privilege to female citizens; in other words, it was a gift from the monarchy, not some long-denied right that women fought for and attained. From an outside perspective, it must have seemed bizarre that a number of women activists who campaigned for the right to drive were subsequently prosecuted, flogged, and jailed by the state. However, the ruler merely wanted to drive home the point that the reform was a result of his largesse, a demonstration of his munificence, rather than the outcome of the women's activism.

### 2.3 Threats to Stability

Historically, one of the major threats to the Gulf chieftains and monarchs has been assassination and coups within their own families. These dangers have

been relatively rare in recent decades, though succession paths have not always been smooth. Currently five of the six GCC states' rulers are relatively young, and only Kuwait can expect a royal succession (its emir was born in 1929 and the crown prince is only eight years younger); the jockeying for power has already begun (Winder, 2020).

The Gulf countries are absolute monarchies, but their rulers, especially since the early 1990s, have intended to create a veneer of political participation and established various councils (municipal, regional, and national) and advisory bodies. Some of the members of these organizations are elected, though most are appointed. Three points are helpful to recognize. First, none of these bodies across Arabia have the authority to make and implement decisions against the wishes of the ruling family. Second, they are all expendable: when push comes to shove, they can be dissolved, abolished, or suspended at the ruler's whim. And third, they enjoy virtually no influence over defense-security matters. Political organizations that the government disapproves of are simply disbanded via court ruling, as was Bahrain's well-established Al-Wefaq National Islamic Society, a Shia Muslim party, in 2016.

Kuwait's National Assembly (NA) is the outlier in the Gulf states, as it possesses conventional legislative powers such as to debate and enact laws, oversee the budget process, and monitor government ministries and agencies (Herb 2004). Unlike elsewhere in the Gulf, where the defense budget is entirely in the hands of the ruling family and the executive branch, in Kuwait the NA must approve the budget, including its military outlays, once it is presented by the government. Even in Kuwait, though, the actual clout members of parliament enjoy over defense-related matters is extremely limited. The MPs understand that the government does not want to play politics with defense issues and are quite passive in this area.<sup>2</sup>

The Gulf monarchies have to contend with little domestic opposition that, at least to an outside observer, would represent a credible threat to their safety let alone survival. At the same time, the upheavals in 2011 frightened the ruling families into stepping up security measures against potential adversaries, no matter how improbable or weak the challenge they pose might be. As a result, we have witnessed a militarization of the Gulf in the last decade signaled by elevated defense budgets and armaments acquisition, stepped up joint exercise activity, and sharpening focus on counterterrorism. At the same time, some new policies have served the objective of deepening ideas of nationhood among Gulf citizens. For instance, mandatory military service was recently introduced in Qatar and the UAE and reintroduced in Kuwait, military parades have been

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<sup>2</sup> Interview with a Kuwaiti political scientist (Kuwait City, December 13, 2016).

staged on national holidays, and military museums and memorials have been opened in several Gulf countries (Barany 2018).

The exception to the overall feebleness of Gulf opposition is Bahrain's majority Shia community that the state has systematically suppressed and marginalized for decades. The regime's heavy-handed sectarian crackdown had radicalized the opposition and pro-regime communities on both sides of the Shia-Sunni divide. At three to four million, Saudi Arabia's Shia population is far larger than Bahrain's, but it only makes up about 20 percent of the kingdom's citizenry. Therefore, it represents a more modest threat to stability, even though the Shia community predominantly dwells in the oil-rich Eastern Province.

Given their fixation with external threats, particularly the threat from Iran, Gulf states tend to conflate domestic and foreign security. Fear of terrorism (e.g., ISIS and Al-Qaeda affiliates) is of course one of the most important incentives for vigilance in the GCC (Haykel 2016; Fishman 2016). Terrorist threats are not merely academic: several Arabian states – Bahrain, Kuwait, Saudi Arabia – have been attacked in recent years. Saudi Arabia and Bahrain are also concerned about their territory turning into a scene of transnational Shia activism portending Iran's growing sway in the Gulf.

The UAE government's greatest fear has been Islamic radicalization and at the focus of its attention is the Islah movement, which has been traditionally influential in Ras al-Khaimah (RaK), Fujairah, and other northern emirates. In 2014, the UAE designated both the Muslim Brotherhood and Islah as terrorist organizations; the previous year, in tandem with Riyadh, Abu Dhabi helped finance the toppling of Egypt's elected Muslim Brotherhood-dominated government. All GCC states view dissent unforgivingly, but the UAE, Saudi Arabia, and Bahrain quash it the most mercilessly. For instance, in 2018 Abu Dhabi convicted Matthew Hedges, a British scholar of espionage, and sentenced him to life in prison offering not a shred of evidence before freeing him owing to mounting international pressure (Hearst 2018). For decades, Saudi authorities have forcibly repatriated (i.e., abducted) their citizens, including disagreeable members of the royal family, from foreign countries if they misbehaved. One of the most effective ways the Gulf monarchies punish their undesirable nationals is by revoking their citizenship.

Most citizens of Arabia receive a strictly sanitized version of news about their countries' politics, economies, and social affairs. Press freedoms in the Gulf are heavily circumscribed. The "2019 World Press Freedom Index" of Reporters without Borders (RWB) makes the point that the media is anything but free in Arabia. RWB's ranking helpfully suggests the subtle differences between the six kingdoms. Out of 180 countries, Kuwait is ranked 108th in terms of press

freedoms, Qatar is 128th, Oman is 132nd, the is UAE 133rd, Bahrain is 167th, and Saudi Arabia is 172nd (Reporters without Borders 2019).

## 2.4 The Monarchy and the Armed Forces

Institutional underdevelopment remains one of the most unmistakable characteristics of Arab monarchies. Although this trait may be somewhat less pronounced in the defense sector – owing to its regimented and hierarchical nature and British origins – than in other areas, the security apparatus of the Gulf states still displays a relatively low level of institutionalization and excessive reliance on and deference to personalities. As in most authoritarian states, the GCC armies' crucial mission is to be the regimes' last domestic line of defense versus its political foes. To be sure, the regular armed forces are seldom deployed against the people, and they do not ordinarily perform police functions. Nevertheless, if the various police and security organizations are unable to suppress a revolt, the military is called in to defend the regime with whatever means necessary.

Given the critical importance of the security sector to the survival of their regimes, the ruling families control the coercive apparatus even more closely than other segments of the state. Traditionally, in all of the oil monarchies, rulers have appointed sons, brothers, nephews, and uncles to military leadership positions. The vast majority of contemporary senior defense officials and commanders are members of the royal families or individuals closely connected to them by marriage, kinship, or tribal affiliation. One of the greatest weaknesses of Gulf armed forces is that they are not meritocracies. Therefore, it would be tempting to write off the many military commanders of royal blood as incompetent hacks. In fact, many – and probably an upward trending proportion – of the people who hold sensitive positions are capable. The royal families have an existential stake in the protection of their domain so, all things being equal, they want to choose the best available candidate.

“The most important factor that Middle Eastern monarchs must take into account in choosing their policies,” Herb writes, “is the need to keep the army in the barracks” (Herb 1999: 231). The type of political-institutional relationship Gulf ruling families have adopted and advanced with their armed forces is one of the main reasons for the ineffectiveness of their armies. Perhaps the most typical attribute of the defense establishments of autocracies is that “the army” is actually several armed organizations. The fear of coups is manifested in the multiplication of parallel military forces. In fact, the rich Gulf countries have been able to develop multi-tiered defense establishments. The different military and paramilitary organizations are not only established to provide the ruling