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## How do the variations in military organization influence the implementation of economic coup proofing mechanisms in the MENA Region? The cases of Jordan, Syria and Egypt

Reem Mahmoud Abou Refaie

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**THE AMERICAN UNIVERSITY IN CAIRO**

**School of Humanities and Social Sciences Department of  
Political Science**

**Master's Thesis**

**How do the Variations in Military  
Organization Influence the Implementation  
of Economic Coup Proofing Mechanisms in  
the MENA Region?  
The Cases of Jordan, Syria and Egypt**

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A Thesis Submitted to the Department of Political Science in  
Partial Fulfillment of the Requirements for the Degree of  
Master of Arts

**By**

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**Under the supervision of Dr. Holger Albrecht  
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### *Abstract*

*The Arab uprisings have certainly caused quiet the watershed among scholars of civil-military relations. Incumbents that were rendered coup proofed were suddenly falling victim to the mercy of their militaries. Questions like, “Why is coup proofing more successful in some cases more than others?” and “Does coup proofing work?” guided the literature on coup proofing in the last decade even more so in the last four years. Significant research has been undertaken outlining possible reasons for the success/failure of coup proofing. Some authors have even questioned the viability of the coup-proofing process, but yet, no clear reasoning for variations in outcomes of coup-proofing appear to have emerged from the literature to date. Thus, this thesis attempts to take a step back and examine the process through which coup proofing mechanisms are formulated. More particularly, I pose the following questions: Why are there variations in the implementation of some coup proofing mechanisms and what are the conditions contributing to this variation in application? Escaping thus the trap of studying coup proofing as a monolithic process, this thesis studies the variation in the application of economic coup proofing – approach, technique and implementation – in relation to the organizational features of the military on which the tactics are implemented. To achieve this, the study conducts a qualitative comparison between Jordan, Syria and Egypt. All the regimes in question applied economic coup proofing as a means of buying military loyalty and they also bought them out of day-to-day politics. The Syrian Military, for example, relies on personalized and illicit activity – smuggling and currency dealing – as a means of generating military incentives. This is in comparison to the Egyptian and Jordanian Militaries who profit from controlling large industrial complexes. Questions explaining the reasons behind such variation remain unanswered. While it is theoretically valuable to study economic coup proofing as simply a means of buying off officers that ties the military to the incumbent, it is intuitively compelling to study it as a form of military business. This in-turn affects the military’s autonomy vis-à-vis the incumbent but also influences the military’s relation with society at large.*

## Table of Contents

<b>CHAPTER 1: INTRODUCTION</b>	<b>4</b>
1.1 STRUCTURE OF THE DISSERTATION	11
<b>CHAPTER 2: LITERATURE REVIEW</b>	<b>14</b>
2.1 INTRODUCTION	14
2.2 APPROACHES TO MILITARY NATURE AND CIVILIAN CONTROL	14
2.2.1 THE DILEMMA OF CIVILIAN CONTROL IN AUTHORITARIAN CIRCUMSTANCES	16
2.3 STUDYING COUP PROOFING: PERCEPTION AND VIEWS	17
2.3.1 DEFINING COUP PROOFING	17
2.3.2 APPROACHES TO THE STUDY OF COUP-PROOFING MECHANISMS: A DISCUSSION OF STRENGTHS AND WEAKNESSES	19
2.4 THEORIES ON MILITARY ORGANIZATION	22
2.4.1 DEFINING MILITARY ORGANIZATION	22
2.4.2 MILITARY ORGANIZATION AND THE OFFICER CORPS: WHY IS THE LINK CRUCIAL?	23
2.4.3 STUDYING ECONOMIC COUP PROOFING: DEFINITION, IMPLEMENTATION AND MEASUREMENT	26
2.5 THE METHODOLOGY	31
<b>CHAPTER 3: ECONOMIC COUP PROOFING IN JORDAN: THE INSTITUTIONAL ENTREPRENEURIAL MODEL</b>	<b>38</b>
3.1 THE HISTORICAL DEVELOPMENT OF A COMMUNAL MILITARY ORGANIZATIONAL STRUCTURE	38
3.2 ON-BUDGET INCENTIVES	48
3.2.1 BUDGETARY CONTROL IN THE CONSTITUTION	49
3.2.3 RENTIER POLITICS AND THE JORDANIAN MILITARY'S WELFARE SYSTEM	51
3.2.4 MILITARY SPENDING AND ARMS PURCHASES	51
3.3 THE JORDANIAN MILITARY'S BUSINESS ACTIVITIES	55
3.3.1 THE JORDANIAN ARMS INDUSTRY AND THE KADDB	57
3.4 OFF BUDGET ECONOMIC INCENTIVES	61
3.5 CONCLUSION: AN OVERALL ASSESSMENT OF ECONOMIC COUP-PROOFING IN JORDAN	63
<b>CHAPTER 4: ECONOMIC COUP PROOFING IN SYRIA: THE SPOILS MODEL</b>	<b>66</b>
4.1 THE HISTORICAL DEVELOPMENT OF A COMMUNAL MILITARY ORGANIZATIONAL STRUCTURE	66
4.2 ON-BUDGET INCENTIVES	71
4.2.1 BUDGETARY CONTROL IN THE CONSTITUTION	72
4.2.2 MILITARY EXPENDITURES: AN ANALYSIS OVER-TIME	72
4.3 THE SYRIAN MILITARY'S BUSINESS ACTIVITIES	75
4.4 OFF-BUDGET ECONOMIC INCENTIVES	80
4.5 LEGAL VERSUS ILLEGAL INCENTIVES	84
4.6 REFLECTIONS ON ASSAD'S ECONOMIC COUP PROOFING AND THE OFFICER CORPS: BETWEEN STRENGTH AND VULNERABILITY	85
4.7 CONCLUSION	87

<b>CHAPTER 5: ECONOMIC COUP PROOFING IN EGYPT: THE INSTITUTIONALIZED ENTREPRENEURIAL MODEL</b>	<b>89</b>
<b>5.1 THE HISTORICAL DEVELOPMENT OF AN INSTITUTIONALIZED MILITARY IN EGYPT</b>	<b>90</b>
<b>5.2 ON-BUDGET INCENTIVES</b>	<b>94</b>
5.2.1 BUDGET CONTROL IN THE CONSTITUTION	95
<b>5.3 THE EGYPTIAN MILITARY'S BUSINESS ACTIVITIES</b>	<b>100</b>
5.3.1 THE CIVILIAN ECONOMY	102
5.3.2 THE EFA'S ARMS INDUSTRY	104
<b>5.4 OFF-BUDGET INCENTIVES</b>	<b>109</b>
<b>5.4 CONCLUSION: AN OVERALL ASSESSMENT OF ECONOMIC COUP-PROOFING IN EGYPT</b>	<b>113</b>
<b>CHAPTER 6: HOW DOES ECONOMIC COUP-PROOFING WORK IN COMMUNAL, PARTIALLY COMMUNAL AND INSTITUTIONALIZED MILITARIES?</b>	<b>115</b>
<b>6.1 ANALYSIS OF ECONOMIC COUP PROOFING IN EGYPT, SYRIA AND JORDAN</b>	<b>118</b>
<b>6.2 CONCLUSIONS</b>	<b>123</b>
<b>CHAPTER 7: CONCLUSION</b>	<b>125</b>
<b>BIBLIOGRAPHY</b>	<b>131</b>

### **Tables and Graphs:**

<b>Table 1:</b> Thesis Hypothesis	11
<b>Table 2:</b> Defining Coup-Proofing	19
<b>Table 3:</b> Operational Definition of Military Organizational Structure	25
<b>Graph 1:</b> The Variation in the Level of Patrimonial Recruitment	33
<b>Graph 2:</b> Military Expenditures in Jordan: An Analysis Over Time	50
<b>Graph 3:</b> Military Expenditures in Egypt: An Analysis Over Time	97
<b>Graph 4:</b> A Comparative Illustration of Military Expenditures Over Time	119

## Chapter 1: Introduction

With inconsistent military reactions to the Arab Uprisings, the functionality of coup-proofing strategies is becoming more central to the study of civil-military relations in the Middle East and North Africa (MENA) region. Scholars of civil-military relations including Holger Albrecht (2014), Jonathan Powell (2011) and Raymond Hinnebusch (2006) assert that coup d'état is both the most imminent threat to autocrats as well as the primary means of removing authoritarian regimes.<sup>1</sup> Therefore it is safe to argue that it has become common knowledge - if not self-evident - that all authoritarian incumbents justifiably engage in a process of immunizing their rule from military takeover of power by means of coup d'état. However, the efficacy of this strategy remains an issue whose ambiguity constitutes a barrier to the understanding of civil-military relations in autocracies. Efforts in deepening the analysis of coup-proofing have varied in method and scope. Because of the difficulty in measuring the coup-proofing process, and placing it within a timeframe as regards to its beginning and its end, comprehensive conclusions are scarce. Therefore, it becomes necessary to view coup-proofing as the product of years of trial and error, successes and failures. Coup-proofing is an on-going process that does not stop with the eradication of coup cascades, the reduction of successful coups or with the durability of autocrats. As Claude E. Welch proclaims, civilian control is “not a matter of precluding overt intervention, for a coup d'état may be the proverbial tip of the iceberg.”<sup>2</sup>

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<sup>1</sup> Milan Svolik holds the same premise by empirically showing that out of a total of 303 authoritarian leaders, 205 autocrats were removed through acts undertaken by segments of the state apparatus (members of government or members of the security apparatus including both military men or other security forces). See Milan Svolik, “Power Sharing and Leadership Dynamics in Authoritarian Regimes,” *American Journal of Political Science*, 53, no. 2 (2009): 478. For more detail see: Holger Albrecht, “The Myth of Coup-Proofing: Risk and Instances of Military Coups d'état in The Middle East and North Africa, 1950-2013,” *Armed Forces and Society* (2014): 12 & Raymond Hinnebusch, “Authoritarian Persistence, Democratization Theory and The Middle East: An Overview and Critique,” *Democratization* 13, no. 3 (2006): 43.

<sup>2</sup> Claude E. Welch, *Civilian Control of The Military, Theory and Cases From Developing Countries* (Albany: State University of New York Press, 1976), 2.

Therefore, the question remains: *How do existing structural realities influence the implementation of coup proofing mechanism?*

What is more: *How does the systematic application of coup proofing mechanisms influence the development of political-military and societal-military relations?*

In the attempt to help solve this puzzle, this dissertation argues that coup-proofing should be seen not as a single unified tool but rather as a number of mechanisms, sensitive to structural characteristics such as military organizational structure and the states' capacity to enforce civilian control on the military. In contrast to the general tendency in coup-proofing literature, my thesis asserts that coup-proofing mechanisms cannot be evaluated and treated as a single recipe.

Moreover, I wish to go beyond the literature's reductive understanding of coup-proofing as a mere strategy for the prevention of coups d'état, for, with the exception of scholars examining the influence of mechanisms of counter-balancing and ethnic stacking on reducing military effectiveness in combat and increasing the probability of civil-war traps (e.g. Risa Brooks, 2006 & Kristen Harkness, 2014 etc.), most coup-proofing studies are preoccupied with immediate results – that is, the effectiveness or ineffectiveness in reducing coup incidences. But in fact, the systematic implementation of coup-proofing over time becomes more of a well-thought-out policy than a reaction to an immediate threat. Especially in cases from the MENA region where coups disappeared for an extended number of years until 2010 (in Egypt, for 57 years; in Syria, no coups since 1982 and in Jordan, no coups since 1957), coup-proofing has remained a consistent feature of civil-military relations.<sup>3</sup> Therefore, I felt compelled to examine the by-products of such policies beyond the usual simplistic analysis; the insightful premise of Hicham Bou Nassif (2014), that lasting relationships result from the historical pairing of different coup-proofing mechanisms with varied types of militaries, was very helpful in this regard.<sup>4</sup> Pierson (2004) addresses these relationships as well: “Coups-proofing techniques became self-reinforcing; they created networks of powerful military actors whose

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<sup>3</sup> Powell and Thyne, “Global Instances Coups,” 250.

<sup>4</sup> Hicham Bou Nassif, *Generals and Autocrats: Coup-proofing and Military Elite's Behavior in The 2011 Arab Spring* (PhD Dissertation, Indiana University, 2014): 24.

influence and interests were dependent on making the reversal of the established pattern of civil-military relations difficult. In a word, the methods used by Arab autocrats to coup-proof became path-dependent.”<sup>5</sup>

This statement emphasizes the importance of the economic and political influence and benefits that coup-proofing generally grants military actors. Moreover, it stresses the path-dependency aspect of coup-proofing, thus making clear the need for a historical approach to civil-military relations and a careful examination of changes in the military’s economic and political role in authoritarian regimes. As my chief interest lies in the military’s economic role, I will here examine the process through which economic coup-proofing develops, as well as the conditions affecting its implementation. ‘Economic coup-proofing’ is defined here as the allocation of resources with the intention of garnering officers’ loyalty, the most viable indicator for a regime’s coup-proofing capacity, because all the other mechanisms (which will be discussed below) require an economic investment. This kind of spending is one of the oldest and most widespread methods for averting the threat of military intervention.<sup>6</sup>

To understand how economic coup-proofing strategies shape civil-military relations, we need to first examine various factors such as military organizational structures, rentierism and state capacity. ‘Military organizational structure’ refers to the influence of ethnic stacking (or lack thereof) on the implementation of economic coup-proofing. ‘Rentierism’ and ‘state capacity’ refer respectively to the availability of resources to fund economic coup-proofing, and to civilian institutions’ power to govern the necessary spending. These factors will then be analyzed in terms of how they contribute to variations in technique, execution and distribution of economic coup-proofing tools. I thus pose the following questions:

***How does the variation in military organization affect the implementation of economic coup proofing?***

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<sup>5</sup> Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton: Princeton University Press, 2004), 4.

<sup>6</sup> Holger Albrecht, “Does Coup-proofing Work? Political-Military Relations in Authoritarian Regimes Amid The Arab Uprisings?,” *Mediterranean Politics* 20, no. 1 (2014): 5. Also see Risa Brooks, *Political-Military Relations and The Stability Arab Regimes* (Oxford: Oxford University Press for International Institute for Strategic Studies, 1998).



What is more: *How does the variation in the implementation of economic coup proofing contribute to the military's role as an economic actor?*

In response to the question of how variation in military organization affects the implementation of economic coup-proofing and how variation in the implementation of economic coup-proofing contributes to the military's role as an economic actor, I suggest that military organization (here, the use or non-use of family, ethnic and religious ties) plays a dominant role in determining the allocation patterns of economic coup-proofing in the MENA region. To be specific: in a communal military where ethnic stacking (recruitment based on ethnic ties or bloodlines) prevails, the incumbent ruler is under pressure to lavish direct, personal material benefits upon his own ethnic group, ranging from illicit economic activity to disproportional accessibility to wealth-generating opportunities. Because ethnic ties are historically embedded in the development of the military organization, the incumbent adapts to the demands by using a mixed approach of targeted incentives joined with turning a blind eye to officers' engagement in illegal activities, so that military business take on the form of the *Spoils Model* (see below).

In an institutionalized military, however, the targets are less obvious as a result of the lack of clear-cut ethnic lines to determine the allocation of riches, so the incumbent garners loyalty by distributing indirect institutional benefits. These include arms purchases, high commandership salaries and bonuses, and in some cases the benefits take the form of independent economic/industrial complexes. The Egyptian military's ability to retain a considerable hold over giant industrial complexes (often with little or no civilian oversight or taxation) whose revenues go directly to the military institution is a case in point. This leads to the military business taking the form of the *Institutionalized Entrepreneurship Model* (see below).

The second set of hypotheses attempt to answer the question of how the variations in military business forms influence the officer-incumbent bond on the one hand the officer-societal bond on the other hand.

***The Spoils Model:***

The direct personalized or in some cases illegal character of the benefits places the military at the mercy of the incumbent because the sustainability of such economic resources are dependent on the continuous guarantee of loyalty. In cases where communality plays a major role in military organization, benefits are allocated in a personalized individual (sometimes illegal) manner, diminishing the role of the military institution as an economic actor and making it into a kind of shield for the incumbent. At the same time, the incumbent can eliminate unwarranted members by simply lifting the curtain from targeted illegal activities.

***The Institutionalized Entrepreneurial Model:***

This arrangement enhances military autonomy by giving the military institution economic benefits that do not depend on special loyalty to the incumbent. I would thus expect that in institutionalized militaries, the military-incumbent bond would be looser than in the Spoils Model. Also, in cases where general conscription contributes to the military being a reflection of the broader society, I would expect a stronger societal-military bond to develop (enhanced by the institutions' ability to maintain a civic-integration role) as well as a heightened economic-provider role (facilitated by their strong hold over economic revenues independent of the national government budget).

To illustrate my hypotheses, I have compared the cases of Egypt, Syria and Jordan: Syria and Jordan display varied levels of communal military organizational structures, which I expect to illustrate the Spoils Model of economic coup-proofing. Having the level of patrimonial recruitment as the main independent factor, the Syrian and the Jordanian cases share a considerable ethnic/tribal imprint in the military structure. However, what sets them apart is the absence of general conscription in the Jordanian military which leaves more room for a wider use of favoritism and discriminatory selection to dictate the membership of both the rank and file and also the officer corps. While as, the case of Syria represents partial communality, which is mainly limited to the officer corps and the higher echelons, leaving the rank and file exposed to general conscription. Whereas, Egypt exhibits an institutionalized 'a-communal' military

structure, which I expect to display the characteristics of an institutional entrepreneurial model. Nonetheless, since not all the factors named above can be examined here, I keep rentierism and state capacity constant. Taking heed of Joseph Wright, Erica Frantz and Barbara Geddes' (2013) empirical research suggesting that oil wealth has a direct and positive effect on providing the funds needed to distribute patronage, I have selected these cases based on their being semi-rentier and poor in oil-wealth in order to go beyond the oil-wealth explanation successfully developed by Geddes' work. I also keep constant the state capacity to enact civilian control on the military's access to economic resources; by examining constitutional texts, which show that all three cases lack effective mechanisms, which civilian entities (e.g. parliaments) can utilize to question military expenditures. To explain this further, I adhere to Jorn Brommelhorster's and Wolf-Christian Paes' (2003) understanding of the relationship between state capacity to control the military and the military's economic activity: "Where states are weak and civilian control of the armed forces is poor or effectively non-existent, military elites have an added incentive to carve out commercial enterprises for themselves. While military business is by no means confined to weak states, it can be said that poor civilian control increases the likelihood of opportunistic behavior on the part of the armed forces."<sup>7</sup>

In light of cases briefly outlined above, the implementation of economic coup proofing will be studied in terms of direct off budget personalized and indirect on-budget institutional allocations. Using data derived from the US Arms Control and Disarmament Agency's (ACDA) World Military Expenditures and Arms Transfers reports (WMEAT), I will examine the on-budget category by calculating the percentage of budget allocated to military spending over the last thirty to forty years (between 1970 and 2010); I will use secondary sources to look at forms of off-budget benefits, including services to which military personnel have privileged access in addition to other opportunities of self-enrichment. Thus I will explore the relation between military organizational structure and the development of diverse economic coup-proofing trends, as well as how the type of allocation affects the incumbent-military bond that results from it. To be specific: the extent to which a sustained benefit is dependent on the survival of the incumbent

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<sup>7</sup> Jorn Brommelhorster and Wolf-Christian Paes, "Soldiers in Business: An Introduction," In *The Military As An Economic Actor: Soldiers in Business* (Basingstoke: Palgrave Macmillan, 2003), 14.

determines the strength of the military's attachment to the incumbent. In contrast, the less direct the benefits, the looser the bond between the military and the incumbent.

**Table 1: Thesis Hypothesis**

<b>Country</b>	<b>Rentierism</b>	<b>State Capacity</b>	<b>Military Organization</b>	<b>Type of Economic coup-proofing</b>	<b>Incumbent-military bond</b>
<b>Syria</b>	Poor Semi-rentier	Weak	Semi-Communal	Direct Personalized	Tight
<b>Egypt</b>	Poor Semi-Rentier	Weak	A-communal /Institutionalized	Indirect Institutional	Loose
<b>Jordan</b>	Poor Semi-rentier	Weak	Communal	Direct Personalized	Tight

## 1.1 Structure of the Dissertation

In order to conduct the research previously outlined, this research project will first present a substantial review of the existing relevant literature in chapter 2. In doing so, the dissertation visits germane academic works needed for the generation of operational definitions associated with military organizational structures. The chapter explores relevant literature on coup d'état, coup proofing and economic coup proofing, which outlines research approaches trying to place, assess and explain the possible relationship between military organization and economic coup proofing. It will also briefly suggest that the originality of the research lies in the fact that it analyzes economic coup proofing as a collection of strategies that is sensitive to military organization. The rest of the chapter builds on the literature and subsequently lays out the case-selection process and the methodology. This section includes a detailed account of the method employed to conduct the research project, highlighting the variables, and a rough outline of the variety of sources utilized for studying such variables in relation to the case studies.

The third chapter deals with Jordan, laying out an overview of the historical developments inciting tribal favoritism in military recruitment and focusing on significant moments in this policy's enforcement. It also describes incidents related to beginning and maintaining the 'depaletinization' of the military, stressing the dynamics leading up to

the consolidation of an East Bank-dominated officer corps. The chapter then moves on to examine how military communality influences waves of change and continuity in the technique, execution and distribution of economic coup-proofing in Jordan, with a focus on variations in the use of budgetary tools versus off-budget sources. In addition, it assesses similarities and dissimilarities in coup-proofing applications by comparing direct personalized with indirect institutional incentives, hopefully providing insight into the military's role as an economic actor in Jordan as well as an overview of incumbent-military relations.

The fourth chapter addresses Syria, beginning with an overview of the military's historical development and focusing on the steps that led to the consolidation of a communally-guided recruitment pattern in the officer corps and general conscription in the rank and file, which eventually developed into a partially communally-organized military. Then it analyzes the available data on budgetary economic incentives like arms purchases and personnel costs. This is followed by an examination of the military institution's access to productive activities, in order to better understand both these activities' growth and decline over time and military financial autonomy. The chapter also looks at the extent of off-budget opportunities available for military personnel. Highlighting waves of change and continuity in the application (technique, execution and efficacy) of economic coup-proofing within Syria, this chapter provides an overall analysis of patronage distribution in relation to the military institution, while also describing how the military's economic activity plays a role in strengthening or weakening the military-incumbent bond.

The fifth chapter examines the Egyptian Armed Forces, first giving an overview of noteworthy moments in the historical development of a non-communal or institutionalized military in Egypt. Highlighting its relatively heterogeneous social composition (associated with the enforcement of general conscription early on), this chapter provides evidence that Egypt's military exhibits an institutionalized organizational structure. The following section attempts to show that since the military lacks an ethnic in-group, economic coup-proofing will take the form of indirect institutional incentives that, in turn, target the institution as a whole. These include an expansion of the military industrial-complex as well as an increase in military

expenditures as a percentage of GDP. Finally, it suggests that the institutionalized nature of economic coup-proofing contributes to weakening the military's financial dependence on the political leadership.

The sixth chapter will present an in-depth analysis of the information on economic coup-proofing gathered from the three cases, with the aim of comparing the distribution of patronage in both communal and non-communal militaries. It utilizes the compiled findings to provide insight on the type of economic benefits that militaries acquire and how these benefits function in binding the military to the incumbent or enhancing the military's autonomous economic activities.

The final chapter will provide my conclusions, reflections and possible alternative explanations for the research problem, state the limitations and difficulties encountered during the gathering and the analysis of the data, and finally make recommendations for future research on this subject.

## Chapter 2: Literature Review

### 2.1 Introduction

This review scans civil-military literature with the aim of shedding light on the various lenses used to analyze the possible relation between military organizational structure and economic coup-proofing. It starts with an overview of the nature of military institutions, with a focus on the complex process of civilian control. A description of the current literature on military organizational structure follows, distinguishing between communal and institutionalized militaries through an analysis of recruitment patterns in the MENA region. Finally, I will review current concepts of economic coup-proofing to see how it is implemented, measured and distinguished from other coup-proofing mechanisms.

### 2.2 Approaches to military nature and civilian control

In order to understand the interplay between different coup-proofing mechanisms, one must first become familiar with the existing literature on civil-military relations in general, and civilian control in particular. The civil-military-relations literature mainly revolves around the nature of the military institution and how to keep it under civilian control – the basic principle of coup-proofing. This literature exhibits two main strands describing the nature of the military institution.

On the one hand, scholars including Peter Feaver, Edward Luttwak and Samuel Finer agree that the military is a parasitical power-hungry institution with an inherent predisposition for political intervention. Feaver's concept of "civil-military problematique" draws on the Hobbesian understanding of the human condition, that of a war of all against all. Hence, a protective power is necessary for state survival. However, the paradox lies in the fact that this very force, whose main responsibility is to shield society from harm, can eventually turn against the society it is meant to protect.<sup>8</sup> Luttwak also shares this opinion as he looks at the consequences of modern states' possession of modern militaries (inherently violent institutions) leading to grave vulnerability to

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<sup>8</sup> Peter Feaver, "The Civil-Military Problematic: Huntington, Janowitz and The Question of Civilian Control," *Armed Forces & Society* 23, no. 2 (1996): 151.

guerilla warfare and coups d'état.<sup>9</sup> This reinforces Feaver's argument by pointing to the idea that militaries possess enough power to destroy the very polity they are designated to protect. Finer's famous statement "Instead of asking why the military engage in politics, we ought surely to ask why they ever do otherwise," explains this paradox very neatly.<sup>10</sup>

This particular approach assumes that since coup risk is constant, coup-proofing is also a constant necessity – a valuable point to consider in the analysis of economic coup-proofing, leaving one free to study the process across time regardless of specific coup incidences. Though individual coup occurrences may contribute to shifts in spending, they do not change the fact that since coup risk is constant, so is the existence of a coup-proofing process. This fact underscores the need to study the historical context in which coup-proofing mechanisms are rooted.

On the other hand, scholars such as Eric Nordlinger and Barbara Geddes view the military's nature as that of a public institution that aims at securing and maintaining professional autonomy, organizational cohesion and its own political and economic interests.<sup>11</sup> Consequently, their approach to studying coups d'état focuses on the structural circumstances that motivate militaries to intervene, addressing issues that extend to expertness, exclusiveness, maintenance of political order and political calm.<sup>12</sup> Robert Jackman (1978), Craig Jenkins and Augustine J. Kposowa (1992) are prominent representatives of this particular strand of literature, using structuralist approaches to analyze coup incidences in Africa. They view external aspects – like social mobilization, cultural pluralism, party systems and mass participation – as the most important factors influencing coup risk. Even though these factors are outside of the scope of this dissertation, the structuralist approach is valuable in shedding light on how structural conditions contribute to providing the military with the motive and the capacity to intervene in politics.

This dissertation concurs with the findings in Nordlinger's and Samuel Decalo's research, which shows that the most salient motive for coup d'état is the protection or

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<sup>9</sup> Edward Lutwak, *Coup d'etat: A Practical Hand Book- A Brilliant Guide To Taking Over A Nation* (Cambridge: Harvard University Press, 1969), 20.

<sup>10</sup> Samuel Finer, *The Man on Horseback* (New York: Praeger, 1962), 21.

<sup>11</sup> Barbra Geddes, "What Do We Know About Democratization?," *Annual Review of Political Science* 2, no. 1 (1999): 126.

<sup>12</sup> Eric Nordlinger, *Soldiers in Politics* (Englewood Cliffs, N.J.: Prentice-Hall, 1977), 48.



development of the military's corporate interest.<sup>13</sup> Decalo's compiled data on coups d'état in Africa supports this finding by showing that the enhancement of economic benefits post-coup can be found in nearly every military regime in Africa.<sup>14</sup> Therefore this thesis focuses on economic coup-proofing as the major mechanism to garner military loyalty.

### 2.2.1 The Dilemma of Civilian Control in Authoritarian Circumstances

In order to embark upon an investigation in the field of civilian control of the military in the MENA region, it is of vital importance to be aware of the problematics as well as the pitfalls that can be encountered in such a study. Since the early cold war period, which altered the face of security studies, the field of civil-military relations was confronted with a major dilemma that is the maintenance of military institutions during peacetime. This debate stemmed from the US's desperate efforts to reconcile the need to preserve a powerful military and at the same time curb its detrimental effect on liberty.

This tension extended beyond democratic states to civilian subordination of militaries in non-democratic circumstances where the nature and function of the military are drastically different. Samuel Finer elaborates on this by asserting that the very nature of civil-military relations is determined by the military's function: in non-democratic regimes, the military is predominantly used for internal or domestic purposes, which dictates stronger relations with the ruling elite as well as a considerable detachment from the society as a whole.<sup>15</sup>

The non-democratic context is especially problematic for studying civilian control simply because, more often than not, it is difficult to distinguish between civilian and military entities. Moreover, civilian control is the exception to the rule in authoritarian regimes; 'coup-proofing' is the most suitable term to describe the philosophy governing the interaction between civilian governments and military institutions in non-democratic

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<sup>13</sup> *Ibid*, 63.

<sup>14</sup> Samuel Decalo, *Coups and Army Rule in Africa* (New Haven: Yale University Press, 1976), 31.

<sup>15</sup> Finer, *The Man on Horseback*, 25.

circumstances.<sup>16</sup> Therefore, it is safe to argue that studying coup-proofing is absolutely indispensable to the understanding of political-military relations in authoritarian regimes.

### 2.3 Studying Coup proofing: Perception and views

This section establishes an operational definition for coup-proofing, starting with a discussion of the definitions used in the current literature. The second part of this section explores the measures implemented by states to ensure control of the armed forces, then goes on to examine the different approaches used to analyze coup-proofing, together with their strengths and weaknesses.

#### 2.3.1 Defining coup proofing

Previous scholarly research on the topic yields a number of working definitions that mostly repeat two words - “minimize” and “coup”. James Quinlivan, who studies coup-proofing in the Middle East, asserts that the essence of coup-proofing lies in the creation of structures that are especially designed to minimize the chances of “groups” leveraging the system to instigate a “coup”.<sup>17</sup> Florence Gaub, who studies coup-proofing in Libya, agrees with Quinlivan’s definition but adds the element of “meddling with the micro-level for macro-level purposes”.<sup>18</sup> Holger Albrecht, who also studies coup-proofing in the Middle East, argues that coup-proofing indicates actions of “authoritarian incumbents” to prevent “militaries” from assuming power.<sup>19</sup> He also reiterates Quinlivan and Gaub’s argument by citing Samuel Finer’s definition that refers to coup-proofing as the process of reducing the chances of “coup instigators”.<sup>20</sup> Jonathan Powell’s article “Determinants of the Attempting and Outcome of Coups d’état” defines coup-proofing as efforts by “leaders” to reduce the likelihood of a coup.<sup>21</sup> In another piece titled “Coups and conflict:

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<sup>16</sup> Welch, *Civilian Control of the Military*, 35.

<sup>17</sup> James T. Quinlivan, “Coup-Proofing: Its Practice and Consequences in the Middle East,” *International Security* 24, no. 2 (1999): 133.

<sup>18</sup> Florence Gaub, “The Libyan Armed Forces Between Coup-proofing and Repression,” *Journal of Strategic Studies* 36, no. 2 (2013): 4.

<sup>19</sup> Albrecht, “The Myth of Coup-Proofing,” 5.

<sup>20</sup> *Ibid.*, 4.

<sup>21</sup> Jonathan Powell, “Determinants of The Attempting and Outcome of Coups D’état,” *Journal of Conflict Resolution* 56, no.6 (2012): 1018.

The Paradox of coup-proofing”, he cites Peter Feaver, saying that coup-proofing works on reducing the willingness or the capacity of “militaries” to instigate a coup.<sup>22</sup>

For the purpose of disentangling the relationship between military organizational structure and economic coup-proofing, this dissertation defines coup-proofing by drawing on notions extracted from Albrecht and Finer’s definitions. In order to allow for the incorporation of unsuccessful coup attempts in the three cases at hand, I follow Albrecht’s notion that coup risk is constant over time. The rationale behind this notion is that coup-proofing does not only work on the immediate causes but is also engaged in a dynamic relationship with structural underpinnings, like the organization of military institutions.<sup>23</sup> Hence coup-proofing can be viewed as successful if it effectively postpones coup d’etat, even if a coup does eventually take place.

In another article, Albrecht points to the fact that coup-proofing measures are not only designed to prevent coup attempts but also to help incumbents withstand coup attempts that could not be prevented.<sup>24</sup> Therefore, an unsuccessful coup does nothing to negate the effectiveness of the coup-proofing process for the duration of time when no coups happened, as it fulfilled its purpose of prolonging the incumbent’s reign in power and helping him put down coup efforts.<sup>25</sup>

Another reason for utilizing Albrecht’s logic in regards to my cases is that coup-proofing strategies were generally successful in all three cases. For example, in the cases of Egypt and Syria, there is a clear absence of ‘coup cascades’, which had been a recurring event during the 1950s and 1960s. Jordan has not experienced any coup attempts since the early 1970s. Consequently, this dissertation defines coup-proofing as a collection of actions developed by leaders to prevent militaries from taking over power. This study also adheres to Jonathan Powell’s threshold for a successful coup, which is fulfilled by the coup instigators holding power for a whole week.

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<sup>22</sup> Jonathan Powell, *Coups and Conflict: The Paradox of Coup-Proofing*, (PhD dissertation, University of Kentucky, 2012): 9.

<sup>23</sup> Albrecht, “The Myth of Coup-Proofing,” 2.

<sup>24</sup> Albrecht, “Does Coup-Proofing Work?,” 4.

<sup>25</sup> *Ibid*, 3.

**Table 2 - Defining Coup-Proofing**

<b>Coup-proofing</b>	A collection of actions developed by leaders to prevent the military from taking over power.
<b>Successful coup-proofing</b>	Coup proofing can be viewed as successful if it effectively postpones coup incidences.
<b>Unsuccessful coup-proofing</b>	The military effectively takes over power and holds it for a whole week.

### 2.3.2 Approaches to the Study of Coup-Proofing Mechanisms: A discussion of Strengths and Weaknesses

In order to identify the strengths and weaknesses of the approaches used to study coup-proofing mechanisms, we must first identify disaggregate strategies of the coup-proofing process. Prominent scholars including Quinlivan (1999), Albrecht (2013), Gaub (2013), Kamrava (2000), and Brooks (1998) agreed on five mechanisms that form coup-proofing processes:

1. Counterbalancing: the creation of parallel militaries to counter the official armed forces.
2. Ethnic coup proofing: relying on or in some cases excluding certain ethnic, family or religious groups to ensure loyalty.
3. Fostering of expertness in the regular military.
4. The development of multiple internal security agencies with overlapping jurisdiction that constantly monitor the loyalty of the military and one another with independent paths of communication to critical leaders
5. Economic coup proofing: Distributing economic benefits in addition to funding the previously mentioned measures.

The main weakness exhibited by the literature is that it evaluates the process as a monolithic concept, neglecting the potential effectiveness of individual mechanisms. Nonetheless, progress has been made in recent coup-proofing studies that propose plausible theories and prove them using Large-N data as well as in-depth analysis of

relevant cases; but they fail to conduct thorough assessments of the effectiveness of singular coup proofing mechanisms.

The literature successfully observes the effect of such mechanisms on the cohesion of militaries during popular uprisings and further examines how coup-proofing can affect the military's inclination to support a regime against the people, e.g. Barany (2011), Bellin (2012), Lutterbeck (2012), Brooks (2013), Droz-Vincent (2013) and Nepstad (2011 and 2013). Another fraction utilizes the approach of isolating a single coup-proofing mechanism as opposed to studying coup-proofing in general. These include Schofer (2005), who studied counterbalancing and how it affects a military's ability to instigate a coup.<sup>26</sup> Also Powell (2012), Sprinborg (2013), Bou Nassif (2013), Conrad et al. (2013) and Wiktorowitz and O. Mora (2003) look at economic coup-proofing and how it affects a military's disposition to intervene in politics. Moreover, Louër (2013), Makara (2013) and Neumayer et al. (2008) explore authoritarian regimes' reliance on ethnic loyalties in military recruitment and formation as a type of regime survival mechanism.

However, these studies still have a number of gaps and weaknesses that need to be addressed. For example, they do not explore the possible impact of varying military organization on the use of separable coup-proofing mechanisms. They observe and assess the application of coup-proofing in a varied number of countries with different military types, but they fail to really highlight how these structural differences contribute to a variation in coup-proofing application. They also fail to account for the clear relationship between concepts like economic coup-proofing, ethnic coup-proofing and military organization. Ethnic coup-proofing, or the exploitation of ethnic, family or religious ties, is generally seen as a mechanism of coup-proofing – or in other words regime survival. Examples include McLauchlin, 2010; Bellin, 2012; Lutterbeck, 2012; Makara, 2013 and Gaub, 2013. This approach is shortsighted because it neglects the lasting influence of military organization, a structural reality that moves and changes very slowly.

Nevertheless, not all share this shortsightedness. Cynthia Enloe (1980) and Philippe Roessler (2011) recognize the importance of regarding military organization as an

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<sup>26</sup> Counterbalancing is the creation of an armed force parallel to the official military in addition to the creation of multiple internal security agencies with overlapping tasks to balance each other out to reduce the chances of a military coup.

aspect that both shapes and is shaped by communal and economic coup-proofing. Enloe's argument stems from the need to understand statist processes towards the military in multi-ethnic societies. She explains that regime interest is to align itself with some resident ethnic communities against other excluded groups as a way of ensuring regime hegemony.<sup>27</sup> This process is particularly reflected in the military institution, a main – if not primary – executive instrument of authoritarian control in the majority of third world states, where ensuring hegemony in the military entails organization along ethnic lines, a process that mirrors ethnic coup-proofing.<sup>28</sup> Moreover, this particular regime interest is reinforced by another process of targeted or unequal distribution of economic benefits within the military organizations, which in turn structures the implementation of economic coup-proofing.

Roessler also highlights the dynamic relationship between military organization and economic coup-proofing. Like Enloe, he sees ethnic exclusion as a tool of power preservation. He also describes the incumbent's use of economic benefits to harness loyalty from already-favored ethnic groups. Furthermore, he writes that privileged ethnicities within the military possess a sense of entitlement, which furthers their taking an active role in pressuring the incumbent to lavish them with excessive economic rewards.<sup>29</sup> Bou Nassif adds to this argument by referring to Syria and similar states where ethnic divisions define the military organization, and reaffirms the fact that the incumbent's ethnic clique is promoted to reach the upper echelons in the hierarchy – in addition to being able to accumulate wealth as a result of their privileged connection to the regime.<sup>30</sup> These observations directly support my argument regarding the value of studying the interplay between military organization (the usage or the absence of ethnic stacking) and the technique and execution of economic coup-proofing.

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<sup>27</sup> Cynthia Enloe, *Police, Military and Ethnicity*, (New Brunswick, N.J: Transaction Books, 1980), 159.

<sup>28</sup> *Ibid*, 141.

<sup>29</sup> Philip Rosseler, "The Enemy Within: Personal Rule, Coups and Civil War in Africa," *World Politics* 63, no. 2 (2011): 301.

<sup>30</sup> Bou Nassif, "Generals and Autocrats," 64.

## 2.4 Theories on Military Organization

### 2.4.1 Defining Military Organization

Recently published literature is mainly concerned with the cause behind the variation in the military's likelihood to takeover power. These pillar their analysis on the method of recruitment as the major defining criteria of military organization.

Lutterbeck draws on Kamrava's typology, which divides MENA militaries into three types. The first is the autocratic officer-politician type where the armed forces exercise a de facto veto power over presidency as in Algeria, Egypt and Syria.<sup>31</sup> Another type is the tribally dependent monarchies that predominantly rely on forces pulled from tribes loyal to the regime, for example in Morocco, Jordan, Yemen and Saudi Arabia or even depend on foreign mercenaries as in Bahrain, Oman and Qatar. Kamrava's third military type, which he refers to as dual militaries, encompasses factors from the first two types. This particular type is more or less based on tribal loyalty but also on ideology.<sup>32</sup> The problem with this particular approach is the fact that there are no unified criteria on which the cases can be measured. This makes it very difficult to account for changes in the organization of militaries and hence it gives no space for scholars to shift cases from one box to another. Lutterbeck also looks at Eva Bellin's typology, which distinguishes between militaries according to the extent to which a military is patrimonial or institutionalized.<sup>33</sup>

Zoltan Barany, in contrast, focuses solely on patterns of accessibility of membership, which refer to the rules and regulations governing the recruitment process. This differentiates between militaries whose make-up is defined by general conscription versus those which are dominated by minorities. His analysis of the military's role in the recent Arab revolts accurately shows how recruitment affects a military's disposition to

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<sup>31</sup> *Ibid*, 31.

<sup>32</sup> Dual militaries can also be found in Iran's revolutionary guard, Iraq before 2003 and Libya under Qaddafi.

<sup>33</sup> Institutionalization in this context refers to the fact that the military is rule-bound and based on meritocratic principles while as patrimonialism refers to political favoritism and cronyism, internal hierarchy and advancement are determined by political or ideological loyalties, high levels of corruption are also prevalent and most importantly such militaries have little or no legitimacy outside the regime. See Derek Lutterbeck, "Arab Uprisings, Armed Forces, and Civil-Military Relations," *Armed Forces & Society* 39, no. 1 (2012): 32.

react to a popular uprising. He used the cases of conscript armies of Egypt and Tunisia to show that strong ties with society contribute to such armies refusing to put down the uprisings.<sup>34</sup> On the other hand, he looks at the cases of Yemen and Libya to demonstrate how Saleh's and Qadhafi's "stacking the deck" led to the military's division and eventually civil conflict.<sup>35</sup>

Michael Makara considers yet another way in which recruitment can contribute to a divergence in the military's willingness to stage a coup. He analyzes patterns through which communal ties are exploited in the formation of militaries in the MENA region. He organizes militaries into three types: *communal*, in which the ruling regimes stack most if not all the military apparatus with members of loyal communities of trust; *partial communal*, in which only a portion of the security apparatus is hired on the basis of communal ties; and finally, *a-communal* militaries in which no communal ties are used in staffing the military.<sup>36</sup>

It is safe to conclude that these authors focus primarily on the extent to which the armed forces are professional or institutionalized. This thesis views institutionalization in terms of the degree to which they represent the society's make-up. Thus the criterion for differentiating between varied military types will be established by looking at general conscription as being the most representative or institutionalized, and selective recruitment as being the least representative of society or communal in the context of the MENA region.

#### 2.4.2 Military Organization and the Officer Corps: Why is the link crucial?

Does the study of military representativeness of society entail the tracking of recruitment patterns in the whole military? Samuel Huntington answers this question by clearly stating that the main focus of civil-military relations is the civilian government's power relative to military groups, referring to the officer corps as "the active directing element

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<sup>34</sup> Zoltan Barany, "Comparing The Arab Revolts: The Role of The Military," *Journal of Democracy* 22, no. 4 (2011): 32.

<sup>35</sup> *Ibid*, 33.

<sup>36</sup> The term a-communal is used to describe the militaries of Egypt and Tunisia, communal refers to Syria and Bahrain and finally Yemen and Libya are categorized as partially communal militaries. See Michael Makara, "Coup-Proofing, Military Defection and The Arab Spring," *Democracy and Security* 9, no. 4 (2013): 341-343.



of the military structure ... responsible for the military security of society.”<sup>37</sup> Thus, the recruitment pattern of the officer corps reflects the military’s ties to society. Albrecht makes the same suggestion in his analysis of the varied reactions of MENA militaries to the Arab uprisings, criticizing the approach of studying the military as one homogeneous entity; according to him, the assumption that the same method of recruitment is applied universally is false, since some factions are recruited through general conscription while others are not.<sup>38</sup> A case in point is Syria where the rank and file is generally conscripted while the officer corps is stacked along ethnic lines. This is again another reason why this thesis will focus on the military organization of the officer corps.

Other approaches include that of Roger Owen who analyzes militaries in terms of size, and Nordlinger who categorizes militaries on the basis of the extent to which they access political power. Owen contributes positively to our understanding of the nature of military organization, suggesting an approach that views a military institution as a special form of organization with its own hierarchy, discipline and defined boundaries.<sup>39</sup> This is a useful insight necessary for the understanding of how militaries are formed as well as how they function. In light of his historical analysis of MENA militaries, he divides militaries by size to facilitate the study of the region. According to his typology, military size is directly connected to the military’s role in both internal and external security.<sup>40</sup> The chapter sheds light on the historical background of each military, which is needed to better understand the distinctive military type. However, the typology presented by Owen lacks specific criteria against which the types will be measured. Also, the problem with

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<sup>37</sup> Huntington, *The Soldier and The State* (Cambridge: Belknap Press of Harvard University Press, 1957), 3.

<sup>38</sup> Holger Albrecht and Dorothy Ohl, “Out of Order: Military Repression and Defection in The Arab Spring,” (Unpublished article manuscript, International Security, 2013): 9-10.

<sup>39</sup> Roger Owen, “The Military in and Out of Politics,” In *State, Power and Politics in the Making of the Modern Middle East*, 3<sup>rd</sup> ed. (London: Routledge, 2004), 178.

<sup>40</sup> *Ibid*, 180. Large militaries include Egypt, Syria and Iraq, which were required to fulfill a function both on the internal security front to put down strikes and regional revolts in addition to their classic role, which is to protect from external attacks. The second category encompasses smaller Arab armies, which he then goes on to divide them to four sub-categories. Algeria, Jordan, Morocco, Sudan, Tunisia and Yemen are referred to as modern professional armies. Tribal-based military organizations describe militaries of Saudi Arabia and Oman. He also uses the term modern confessional to refer to Lebanon. The last of the small armies is the guerilla faction, which only includes the Palestinian resistance. Finally, the third type encapsulates Turkey, Iran and Israel.

grouping militaries according to size is that it disregards the structural differences within each military.

Nordlinger's chapter focuses on militaries in politics; here he hypothesizes that the more ambitious the military, the more likely it is to intervene. This chapter uses a typology based on the level of intervention and the ambitiousness of the plotter's objectives, in which he divides militaries into moderators, guardians and praetorian soldiers.<sup>41</sup> The first refers to militaries with a moderator complex such that they have veto power over many governmental decisions without taking over the government.<sup>42</sup> The second type is the guardian military, which is characterized by its ability to overthrow a government and to retain power but only for a period of two to four years.<sup>43</sup> The last and the most extreme type is the praetorian ruler, who exercises complete domination of the political, economic and social spheres.<sup>44</sup> However, this approach to distinguishing militaries presupposes the military's inherent interest in political intervention and neglects the possibility of an existing doctrine of non-intervention. It also lacks any consideration for disaggregate corporate interests of varied groups within the military - a flaw that my approach attempts to remedy.

**Table 3: Operational Definitions of Military Organizational Structure**

<b>Military Organization</b>	Defined according to the recruitment method used to employ personnel.
<b>Communal Military</b>	Military recruitment either formally or informally follows the logic of stacking the military apparatus along ethnic, family or religious lines (Makara, 2013).
<b>Institutionalized/A-communal military</b>	Military recruitment through general conscription which reflects a considerable level of the military's representativeness of society (Lutterbeck, 2012)

<sup>41</sup> Praetorian soldiers are "military officers are major or predominant political actors by virtue of their actual or threatened use of force". Militaries with a moderator complex such that they have veto power over many governmental decisions without taking over the government. See Nordlinger, "The Study of Praetorianism" In *Soldiers in Politics: Military Coups and Government* (New Jersey: Prentice-Hall, 1977), 2.

<sup>42</sup> *Ibid*, 22. Moderators are highly politicized and may take part in what Nordlinger referred to as a displacement coup—one in which a government is overthrown or prevented from taking office and is replaced by another group of civilians. Also it is possible for them to transform over time into guardians or rulers

<sup>43</sup> *Ibid*, 25.

<sup>44</sup> *Ibid*, 26-27.

The following section addresses the definition, implementation and measurement of economic coup-proofing through an extensive review of the literature. It also offers a more careful look at economic coup-proofing than the general understanding of it as the mere funding of the whole coup-proofing process, which makes it practically impossible to study its varied applications.

#### **2.4.3 Studying Economic Coup Proofing: Definition, implementation and measurement**

Samuel Huntington's renowned chapter on curbing military power sets the stage for coup-proofing in general, and economic coup-proofing in particular. He provides ten rules for democratizing states, but his logic can certainly be extended to nondemocratic states, since the governments in question fall under the civilian category whether by being civilians from the beginning like the royal families in Jordan or by having a military background and taking off the military uniform like in Egypt and Syria. He asserts that military men tend to perceive themselves as financially underprivileged employees of the state and thus recommends that civilian governments treat their armed forces with generosity – e.g. with increased salaries, pensions, benefits and living conditions. He also introduces the concept of “give them toys” which basically entails providing militaries with new and fancy equipment that are designed to keep the military “happy and busy”.<sup>45</sup> This translates into a comprehensive recipe of economic privileges especially devised to bind the military to the civilian government, hence reducing the chances of a military coup.

Risa Brook's analysis of economic coup-proofing in the MENA region led her to differentiate between two different types of interests that need to be fulfilled through economic coup-proofing. On one hand she looks at the macro-level to detect the military's corporate interest, which can be satisfied through increases in budgets, weapon supplies and the funding of parallel military forces designed to counterbalance the official one. On the other hand, she focuses on an equally vital bulk of interests that are exclusively private benefits, which are closely related to remedies for grievances of

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<sup>45</sup> Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 252.

individual officers.<sup>46</sup> These are satisfied through disproportionately high wages paid to officers relative to other civil servants, as well as housing and transport subsidies, access to scarce consumer goods, self-contained military cities, access to subsidized consumer goods, high-quality medical care, and transport facilities unavailable to the general population. Nordlinger shares Brook's approach to studying the corporate interest model by identifying two levels of corporate interest; one is the institutions' corporate interests, which can be satisfied by adequate budgetary support, and the second is the personal level marked by officers' desire for promotion and other benefits, their political ambitions, and fear of dismissal.<sup>47</sup>

This distinction between differing economic coup-proofing processes is valuable for two reasons: on one level, it is necessary to differentiate between funds that are allocated on the macro-level (affecting the institution as a whole) versus micro-level (organized on a personal basis and affecting individual officers). On another level, it is important to distinguish between direct benefits - in the form of easily calculated material riches like salaries, bonuses etc. -, and indirect funds that may be spent on public services to which military personal are given disproportional access (relative to other public servants).

Eric Rittinger's, in his study of coup-proofing in Latin America, defines the phenomenon by referring to Miguel Centeno's understanding of the term.<sup>48</sup> Rittinger criticizes a broad definition, saying that it is misleading to treat any spending as an attempt to coup-proof and that it is thus important to distinguish between normal military spending and spending aimed at garnering special loyalties. He defines economic coup-proofing as any spending beyond that necessary to strengthen national security. This illustrates the problem of defining economic coup-proofing, because as Rittinger's definition demonstrates, it requires the establishment of a number of thresholds that are very hard to identify. These include concepts like excess spending, which cannot be identified without setting the normal standard of spending - also difficult to assess,

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<sup>46</sup> Brooks, *Political-Military Relations and The Stability of Arab Regimes*, 26.

<sup>47</sup> Nordlinger, *Soldiers in Politics*, 65.

<sup>48</sup> For more detail see Miguel Centeno, *Blood and Debt: War and the Nation-State in Latin America* (University Park: Pennsylvania State University Press, 2002).

especially with the rapid changes in what states perceive as a threat which requires enhancement of military power.

Following the brief discussion of what economic coup proofing entails I proceed to look at a number of trends in the examination of economic incentives as a means of ensuring the military's loyalty.

The first trend is described by Mark Beeson in his study of economic incentives as increasing or decreasing a military's motivation to stage a coup. He uses the corporate-interest theory to argue that a military's access to economic resources is a vital factor determining the strength or weakness of the bond between the military and the status quo. Beeson supports his argument by saying that the Indonesian military's easy access to economic resources makes it less likely than its Philippine counterpart to make a power grab, since even though the Indonesian military continues to play a leading role both on economic and political fronts, it was the Philippine military and not the Indonesian one which experienced a coup in 2006. He furthers his argument by stating that the Indonesian military enjoys an autonomous budget wherein their off-budget resources accounts for around 60% of their running costs, and that each branch of the military operates its own business through large holding companies - useful for drawing parallels with the Egyptian case (which we will address later).<sup>49</sup> Beeson's use of the discrepancy between the Indonesian case and the Philippines lends merit to the corporate interest argument showing the efficient incorporation of economic coup proofing as a major tool to not necessarily "curb" military power as argued by Huntington but certainly to reduce their willingness to overthrow the government.

A debate took place on the usefulness of the corporate interest model. Among scholars that were critical of the concept is Terence Lee, who delivers a number of criticisms to Beeson's argument and the corporate interest model. He accuses it of being overly simplistic in general and as a result it missed striking issues that contribute to a military intervention.<sup>50</sup> One of his main critiques is that fact that the corporate interest approach studies the military as one entity and thus assumes that military factions share

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<sup>49</sup> Mark Beeson, "Civil-Military Relations in Indonesia and The Philippines: Will the Thai Coup Prove Contagious?," *Armed Forces and Society* 34, no. 3 (2008): 480.

<sup>50</sup> Terrence Lee, "The Military's Corporate Interests: The Main Reason for Intervention in Indonesia and the Philippines?," *Armed Forces and Society* 34, no. 3 (2008): 492.

the same corporate interest. This is a valid point, which is also shared by Holger Albrecht.

However, it does not discredit that approach, it simply calls for the deepening of the analysis of military constituents bearing in mind that corporate interest manifests differently with varied groups within the military. A good remedy for that is Albrecht's approach to distinguish between two different forms of benefits. One that integrates the military as an integral part of the regime's infrastructure and the other segregates thus pushing the military out of politics.<sup>51</sup> Another valuable addition is Albrecht's approach to differentiate between the corporate interest of military leadership/commander and the interest of lower ranking personal or the subordinate.<sup>52</sup> This distinction is particularly useful when looking at the selectivity/universality of patronage patterns incorporated in economic coup proofing, which raises the question of whether incumbents grant militaries equal generosity.

Moreover, if the answer is yes then what does this mean for the underprivileged ones whose personal interests are not met? Also what form of bond does this selective allocation garner between the incumbent and the military? In relation to the above questions, Lee attacked the concept of military intervention on the basis of their corporate interests being threatened; he even ridiculed the approach by quoting Brian Taylor who asserted that if the threat of corporate interests were enough reason for militaries to takeover power then the whole world would have been run by militaries.<sup>53</sup> It is undeniable that there are many issues to be considered when addressing the reasons for a military coup, but this does not reduce the importance of the rationalist perspective, which dictates military personnel's' corporate grievances as a major motive.

Another counter-argument regarding the discrepancy in the allocation of benefits in the military institution is Hicham Bou Nassif's (2014) progressive work on the Egyptian Armed Forces (EAF). His approach insightfully differentiates between two officer corps, arguing that varied incumbent-officer bonds can develop within the same institution, depending on the level of benefits they receive. For example, he compares the

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<sup>51</sup> Albrecht, "Does Coup-Proofing Work?," 6.

<sup>52</sup> Albrecht, "Military Repression and Defection," 19.

<sup>53</sup> Lee, "The Military's Corporate Interests," 493.

military elite, who is showered with economic benefits, with younger officers whose corporate interests are not satisfied.

Lee attempts to discredit the assumption that the armed forces have rationalist-materialist preferences, basing his argument on empirical evidence suggesting that military budgets actually decrease after a military takeover,<sup>54</sup> but this argument fails to consider other venues for enrichment, as found in Beeson's account of the Indonesian military's off-budget resources, for example. The acknowledgment of off-budget revenues is particularly important for the Syrian case, where Alawite officers engage in illicit smuggling activities, which cannot be studied through the scope of budgetary expenditures.

Bueo de Mesquita and Smith's (2011) winning coalition theory analyzes the economic coup-proofing process by arguing that the armed forces' bond with the autocrat is dependent on the regime's fiscal health. Though I would agree that the technique and execution through which the economic coup-proofing process is implemented has a major influence on the strength of the bond between the armed forces and the autocrat, I find several limitations in the winning coalition theory. One problem is that reliance on the concept of fiscal health is out of touch with the economic realities of the majority of authoritarian regimes, which struggle economically. Also, this argument does not take into account historical examples where the military's expanded participation in commercial activities played a role in countering economic crises in Indonesia, Philippines, Egypt and many others, so that the worse the regimes were faring economically, the more keen they were on buying the military's loyalty.

Another issue is that connecting loyalty to fiscal health assumes that the majority of the benefits are legal, on-budget and monetary, whereas the smuggling trade, direct cash installments and post-retirement careers (Syria and Egypt are prime examples) also play a role. A further problem with the winning coalition theory is that it focuses on the regime and neglects direct benefits endowed by the incumbent himself. Finally, de Mesquita and Smith's work presupposes that good fiscal health equals happy militaries, failing to account for the role of ethnicity in the distribution of benefits.

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<sup>54</sup> *Ibid*, 494.

Though studying economic coup-proofing as a distinct process might lend the field of civil-military relations a lot of insights on how it can effectively reduce coup incidences, my research moves away from this outcome-oriented approach, considering it insufficient in grasping the complexity of the mechanism. One problem, for example, is that it overlooks the fact that allocation of economic benefits, with the intention of garnering political loyalty, is among the processes influenced by interaction between political leaders and powerful military actors, whose backgrounds are determined by historical developments of military organization as well as ethnic stacking in the recruitment process. It also fails to address the dominant role that economic coup-proofing (whether in the form of positive or negative reinforcement) plays in shaping military business formations. It is also problematic to ignore the influence of economic coup-proofing on fostering or hindering (in the form of fierce competition or fruitful cooperation, for example) the officers' relations with business elites – a factor highly relevant to understanding civil-military relations. The type of military business (illicit activity, military-industrial complex used to manufacture civilian products, heavy industry, construction of infrastructure etc.) dictates the extent to which the military personnel are financially autonomous or financially dependent on the incumbent, which lends insight into the incumbent-military bonds that arise as a result of varied forms of economic coup-proofing. The form of economic activity can also help determine the nature of military personnel's interaction (or lack thereof) with ordinary citizens, as in the case of enterprises being owned and managed by officers as opposed to being cooped up in the barracks. Also, the integration of military officers in society can reduce their willingness to act against the people in case of popular uprisings. A comparative study of the relationship between the military organization and economic coup-proofing, as in this dissertation, can clarify the conditions under which economic coup-proofing strategies manifest and therefore improve upon the literature mentioned above.

## 2.5 The Methodology

For my research I employ a comparative research method drawing on qualitative tools supported by empirical data.



In order to understand the relationship between variation in military organization and the implementation of economic coup-proofing, this thesis selects three MENA cases for the following reasons:

For the purpose of studying economic coup-proofing in the MENA region, Arab authoritarian regimes can be separated into two types according to the availability or non-availability of economic-financial resources, drawing on insights from political economy rentier theories.

- 1) Rentier states: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates (UAE), Algeria, Iraq and Libya.
- 2) Semi-rentier states: **Jordan**, Morocco, **Egypt**, **Syria**, Tunisia and Yemen.

This list does not include all countries in the Middle East, as it excludes the non-Arab countries Iran, Israel and Turkey and disregards those Arab countries that are either not fully recognized states (Palestinian Territories) or that cannot be considered authoritarian regimes (Lebanon).

I chose the three cases Jordan, Syria and Egypt on the basis of three main criteria:

- 1) I excluded countries with rentier economies because of the abundant availability of funds for financing coup-proofing actions, since they have a much higher capacity to coup-proof as outlined by Geddes' oil wealth and authoritarian survival theory.

- 2) The second criterion refers to military organization in terms of recruitment factors; I selected two cases with varied levels of communal recruitment (voluntary, organized according to ethnic, family or religious affiliation) and one with an institutionalized military (general conscription and reflective of societal make-up) in order to assess military organization as the main factor influencing technique, execution and efficacy of economic coup-proofing. Having the level of patrimonial recruitment as the main independent factor, I chose the Syrian and the Jordanian cases, which share a considerable ethnic/tribal imprint in the military structure. However, what sets them apart is the absence of general conscription in the Jordanian military, which leaves room for a wider use of favoritism and discriminatory selection to dictate the membership of both

the rank and file and also the officer corps. While as, the case of Syria represents partial communality, which is mainly limited to the officer corps and the higher echelons, leaving the rank and file exposed to general conscription. By contrast, I chose Egypt as representative of little to no patrimonial recruitment.

3) The respective country must have experienced coup incidences that were detectable by scholars studying coup d'états, to establish the fact that such states are involved in coup-proofing. The result is the continuum displayed in Graph 1:

**Graph 1: The Variation in the Level of Patrimonial Recruitment**



The larger the blue area, the higher the level of patrimonial recruitment.

Second, to detect differences in how military organization affects the implementation of economic coup-proofing, I trace the historical development of the military organization in each case, with a focus on changes in recruitment laws governing the staffing of the officer corps. This section examines formal and informal trends in recruitment patterns to detect forms of favoritism, in order to understand the development of a particular in-group within the military structure, and through the example of the communally organized militaries of Jordan and Syria explores the dynamics of economic coup-proofing in communal militaries and the institutionalized military in Egypt. The case of the Jordanian Defense Forces exemplify a military that is dominated by tribal ties: since the coup attempts of 1957 and 1970, Jordanians of Palestinian origin have been

completely marginalized (this is known as the de-Palestinization of the military).<sup>55</sup> These incidences intensified an existing communal reality in which Palestinians, who constitute two-thirds of the entire Jordanian population, represent just under ten percent of the officer corps. Following the coup attempts, the communal factor intensified as a result of large-scale desertions by Jordanians of Palestinian origin, leading to the complete abolition of general conscription in 1992.<sup>56</sup> This marked the bringing out of a fully-fledged communal military that is predominantly stacked by East Bank tribes such as Al-Zabens and Habshnehs, especially in commanding positions and officer corps.<sup>57</sup> Similarly, scholars on the Syrian military, including Quinlivan, unveiled a number of informal practices prevalent in the recruitment process of the officer corps that would suggest that such a military faction is picked along communal lines as opposed to meritocracy.<sup>58</sup> Egypt continues to uphold a strict military organization based on general conscription, where the military organization is representative of the population - making Egypt an ideal case of an 'a-communal' institutionalized military in the MENA region.<sup>59</sup> The Egyptian military is a textbook case of resource allocation with the aim of ensuring military loyalty. Bou Nassif's analysis of military economy shows that Egypt exemplifies the regime's continued garnering of military loyalty through the advancement of the military's corporate interest - a feature of civil-military relations over three regimes and six decades of authoritarianism in Egypt.<sup>60</sup> Zeinab Abulmagd and Robert Springborg estimated the military control of the Egyptian economy at around 40%, evidence of a deep-rooted tradition of economic coup-proofing. However, this is an overestimation; a better estimate would be 10-15 percent, which still points to the military's significant influence on the economy. In contrast, Mora and Wiktorowicz's (2003) study of civil-

<sup>55</sup> Dana El Kurd, "The Jordanian Military: A key Regional Ally," *Parameters* 44, no. 3 (2014): 48.

<sup>56</sup> Curtis R. Rayan, *Jordan in Transition: From Hussien to Abdullah* (Boulder, CO: Lynne Reinner Publishers, 2002), 88.

<sup>57</sup> El Kurd, "The Jordanian Military: A key Regional Ally," 50.

<sup>58</sup> Recruits are recommended on the basis of friendship, family relationship and mere personal acquaintance could suffice. See Quinlivan, "Coup-Proofing in the Middle East," 140.

<sup>59</sup> "Protecting national security is a duty. The responsibility of all parties to uphold national security is guaranteed by the Law... Defending the nation and the protection of its land are an honor and a sacred duty. Military service is mandatory according to the Law". See The Arab Republic of Egypt Constitution (1971), Article 86.

<sup>60</sup> Hicham Bou Nassif, "Wedded to Mubarak: The Second Careers and Financial Rewards of Egypt's Military Elite, 1981-2011," *Middle East Journal* 67, no. 4 (2013): 510.

military relations in Syria shows that the Syrian regime showered the officer corps with economic as well as financial privileges, including engagement in illicit smuggling activities to satisfy their corporate interests and ensure their loyalty.<sup>61</sup>

Third, following the establishment of Alawi and East Bank tribal in-groups in Syria and Jordan respectively, and a cohesive military in Egypt, we will see how the different types of economic benefits are distributed to maintain such an in-group/out-group organizational structure versus the implementation of coup-proofing in an ethnically heterogeneous officer corps in Egypt. This analytical phase is two-fold. The following sections are concerned with investigating variation in technique and execution of economic coup-proofing in communal and institutionalized militaries. One level of this variation is differentiating between on-budget and off-budget benefits, through the exploration of secondary as well as empirical sources. In the on-budget section, the study explores constitutional text pertaining to budget control, in order to show both the extent to which the incumbent, the military leadership and the legislator are able to influence allocation, and how the budget is used as a tool of economic coup-proofing.

The on-budget benefits are examined through budget estimates, useful in showing the trends of military spending in the countries in question. Though the topic calls for the close analysis of military budgets, I have refrained from strict reliance on this particular source, for I found grave discrepancies in the available sources. One of these is that numbers vary for the same year across sources, and another is that moments of leaps or sharp dips vary greatly across sources. Finally, for Syria in particular a large number of consecutive years are unavailable in some but available in others. I attempt to resolve this problem by using the US Arms control and Disarmament Agency's (ACDA) World Military Expenditures and Arms Transfers reports (WMEAT) which draws data from a wide-range of sources including Military Balance issued annually by the International Institute for Strategic Studies (IIS in London), Jane's World's Armies, government finance statistics issued by the IMF, SIPRI military expenditure database issued annually by the Stockholm International Peace Research Institute, Jane's Defense Budget and the defense budget sections of the Jane's Sentinel Security Assessments, the EDA's Defense

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<sup>61</sup> Frank O. Mora and Quintan Wiktorowicz, "Economic Reform and The Military: China, Cuba, and Syria in Comparative Perspective," *International Journal of Comparative Sociology* 44, no. 2 (2003): 109.

Data Portal for non-NATO EDA member states, the country armed forces profiles on defenceWEB and media reports. This combines most of the sources available on military expenditures, thus reducing the chances of grave discrepancies.

Another way of digging deeper into economic coup-proofing in the cases at hand is to examine any public statements of economic grievance made by military personnel in these countries. These will be analyzed in terms of the kind of grievance, the way they expected it to be satisfied and, most importantly, the background (rank and ethnicity) of the calling group. This is particularly useful in extracting information about the targets and the patterns of economic allocations in terms of the benefactors and the excluded to shed light on the possibility of pressure being exerted on the incumbent on behalf of the ethnic group.

The formal economy is another place to examine the distribution of economic incentives: militaries' involvement in owning economic enclaves can illustrate the extent to which benefits are institutional versus personalized. As for the last category of benefits: direct off-budget benefits are detected through a study of secondary sources such as books, academic journal articles and other sources including national and newspapers archives. An in-depth analysis of the way such benefits are managed, in addition to the exploration of the rank and the ethnic background of the main beneficiaries of the two types of benefits, can shed light on how economic coup-proofing targets the institution or individuals.

Fourth, the dissertation distinguishes between different forms of loyalties that result from variations in economic coup-proofing techniques and execution. The rationale here is that the efficacy of economic coup-proofing depends on the strength of the incumbent-military bond; direct personalized benefits are more dependent on the survival of the incumbent, so they form a stronger bond. In contrast, indirect institutional benefits are less contingent on the incumbent's being in office, and thus generate a weaker bond. In my dissertation I examine the rules and legal frameworks that govern the economic interaction between the executive and the military institution, and so provide information about the extent to which the process depends on the incumbent.

A number of challenges arose due to the sensitive nature of this topic. One of these is the difficulty both of acquiring raw data due to the time constraint and of

acquiring security clearances to conduct interviews or collect primary information. Also, due to recent political events in the region and further increases in militarization to combat the recent threats coming from IS (Islamic State) troops, gaining the trust of concerned personnel became increasingly difficult. Moreover, as a result of the lack of transparency of the militaries under consideration, I was unable to get the disaggregated budgets needed to quantify my analysis. To avoid these obstacles, I focused on readily available secondary sources and the few empirical sources I could get my hands on in order to understand the interplay between military organization and economic coup-proofing mechanisms. I thus conclude by quoting Bou Nassif saying “it is better to find a partial answer to an important question rather than an incontrovertible one to a trifle.”<sup>62</sup>

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<sup>62</sup> Bou Nassif, “Generals and Autocrats,” 17.

## **Chapter 3: Economic Coup proofing in Jordan: The Institutional Entrepreneurial Model**

To address the question of how military communality affects the distribution of economic incentives, this chapter focuses on the Jordanian Armed forces, offering a historical overview of a communally-organized military based on the recruitment of East Bank tribes and showing that the Hashemite rulers enhanced divide-and-rule legislation from the British mandate to ensure the loyalty of the officer corps through favoring a few tribes historically known for supporting the kingdom.

In order to assess the implications of the on-going tribal character of the military institution for the formation of economic coup-proofing strategies, I show that the historical faithfulness of certain East Bank tribes helped institutionalize the Hashemite Kingdom's reliance on these tribes as the main recruitment pool for the officer corps, to guarantee the loyalty of the security apparatus. I also argue that King Hussein, and later his son Abdullah II, follow a strategy whereby they satisfy the in-group – in this case, the East Bank tribes – by allowing it disproportional access to economic incentives. I also show that the kingdom's dependence on these tribes to uphold the regime increases the Diwan's susceptibility to pressure, such that they often responded positively to the officer corps' continued demands for more benefits despite their already-privileged positions. In addition, I will provide an analysis of how the Hashemite Kingdom allocates military economic incentives, whether through the official budget or as off-budget opportunities for self-enrichment, and then explore the extent to which Jordan's military engages in the formal economy. Finally, I will show how the reliance on a minority to sustain military loyalty shapes civil-military relations in Jordan.

### **3.1 The Historical Development of a Communal Military Organizational Structure**

The Jordanian Armed Forces have evolved as a communally-organized military, characterized by a minority-dominated officer-corps which sees itself entitled to a large portion of the economy as a reward for their loyalty.

The Hashemite Kingdom of Jordan was created as a British mandate over Transjordan (East Bank), whereby the British arbitrarily placed an outsider, Amir Abdullah al-Hashimi (referring to the clan allegedly descending from the family of the prophet Muhammad in Mecca) in control of the territory. Jordan as a young state in the 1920s was characterized by family, clan and tribal affiliations, a framework, which defined security, economic, political and social establishments.<sup>63</sup> Grave socioeconomic inequalities reigned at this time, as only 20% of the country's 400,000 inhabitants lived in cities while the vast majority resided in tribal formations and earned their living through farming or nomadic activities such as herding and raiding other neighboring tribes.<sup>64</sup> Moreover, the development of a cohesive national identity was difficult as tribal roots transcended the newly established borders. In addition, the development of modern political institutions was challenging as the people's adherence to traditional institutions and tribal law blocked the identification with novel formations. In this way a highly troubled state was born whose ruling elite, territory, population and identity were strongly contested. Joseph Massad (2001) accurately described Jordan as a state where "Outsiders conceived of its borders... identity and a people whose roots within existing memory lie beyond the new border of the country."<sup>65</sup> Since the Hashemite Kingdom possessed neither clan nor tribal legitimacy, the government relied on policing the tribes into submission, so that the kingdom's existence depended on the armed forces as the guarantor of political stability.

The Jordanian Armed Forces were the heirs to the Arab Legion (*Jaish al-Arabi*), a small force formed in 1920 under the leadership of British officer Frederick Peake. In its infancy, the Arab Legion was drawn from ex-soldiers of the Ottoman army. However, in the late 1930s, Captain John Glubb, Peake's successor as commander-in-chief of the Arab Legion, altered the recruitment pool first by forming the Desert Patrol (a force consisting purely of Bedouin personnel), a recruitment policy that he later applied to the

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<sup>63</sup> Mary Wilson, *King Abdullah: Britain and the Making of Jordan* (Cambridge: Cambridge University Press, 1987), 57.

<sup>64</sup> Robert Rinehart, "Historical Setting," In *Jordan: Country Study* edited by Richard F. Nyrop 3rd. ed., 51–104 (Washington, D.C.: American University Press, 1980), 58. See also Irving Kaplan, "The Society and Its Environment," 222.

<sup>65</sup> Joseph Massad, *Colonial Effects: The Making of National Identity in Jordan* (New York: Columbia University Press, 2001), 15.



Legion as a whole.<sup>66</sup> As in Syria, where the French favored the Alawi and the Kurdish minorities as a result of their economic, social and territorial marginalization, the British favored the Bedouins for their vulnerable position vis-à-vis city dwellers, as well as for the fact that they were well-suited for combat as a result of their harsh physical environment. Glubb also saw that Bedouins were easily persuaded to enlist as they took pride in military service. Moreover, since the Bedouins (East Bank tribes) were difficult to govern, both because of their involvement in raids on other tribes as well as their martial skill, Bedouin absorption into the security apparatus functioned as a form of containment and pacification, which facilitated the governance of such groups.<sup>67</sup> According to Glubb's account in his book "The Story of the Arab Legion" (1948), recruits were carefully selected mainly from East Bank tribes - both southern Jordanian tribes including the Huwayfat and the Bani Sakhr and northern tribes such as Bani Khalid and Ahl al-Jabal.<sup>68</sup>

The British mandate was a turning point in the modern history of the Jordanian military, for its discriminatory recruitment policies not only planted the seeds for the East Bank dominance in the officer corps but also helped shape tribe-state interaction. Glubb's policy towards the Transjordanian Bedouins embodied four main principles: humanity and sympathy, light taxation and lucrative employment, subsidies to the sheikhs and respect of tribal law.<sup>69</sup> Adhering to these values, Glubb attempted to shift the Bedouins' loyalty from the tribe to the military institution. In doing so, Glubb started by appealing to the Bedouin perception of himself as a warrior which he satisfied by providing them with positions in military service.<sup>70</sup> He prevented Bedouin raids and international crossing by criminalizing the traditional Bedouin herding economy, appropriating livestock and diminishing the tribes' productive capacities in order to reduce their

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<sup>66</sup> Peter Gubser, *Jordan: Crossroads of Middle Eastern Events* (Boulder: Westview Press, 1983), 79-80.

<sup>67</sup> John Bagot Glubb and Aḥmad 'Uwaydi 'Abbadi, *Qiṣṣat Al-Jaysh Al-'Arabi* (Amman: Al-Dar Al-'Arabiyyah, 1986), 52.

<sup>68</sup> *Ibid*, 60.

<sup>69</sup> Massad, *Colonial Effects*, 112. Glubb's policy can be traced back to Colonel Sir Robert Groves Sandeman who developed the concept of Humane Imperialism during his rule over Baluchistan tribes in Afghanistan.

<sup>70</sup> S. Fathi, *Jordan - An invented Nation? Tribe-State Dynamic and The Formation of National Identity* (Hamburg: Deutsches Orient-Institut.,1994), 12.

independence from the state. At the same time he bound them to military service by providing volunteers with steady income and literacy training; moreover, he distributed land allocations according to the Land Settlement Law of 1933, thus forcing the privileged tribes to settle down in one place.<sup>71</sup> In the legal arena, Peake and his successor endorsed the abolition of the independent Tribal Administration Department (*Niyabat al-'Asha'ir*) in favor of the Bedouin Control Laws of 1924 and the subsequent legislations of 1929 and 1936 which restricted undocumented Bedouin movement but at the same time left tribal leadership with control over conflict resolution as well as personal and family status laws.<sup>72</sup> This created a middle ground between abolishing Bedouin law in favor of a national code, and upholding and respecting tribal legal traditions. These various policies allowed East Bank tribes to be gradually absorbed into the Jordanian state as unique entities that not only enjoyed a strong politicized role as a result of being favored in military recruitment whose main function was to police populations, but were also privileged both economically through welfare and stable public service jobs, and socio-culturally on account of their being subjects of their own parallel legal system.<sup>73</sup> Vatikiotis (1967) asserted that this process was successful in co-opting the Bedouins first in the military and later the nation state.<sup>74</sup> However, he emphasized that even though by the end of the Mandate Bedouins dominated the military, their loyalty was not to the nation-state but to the British commander, and then to the King, so change of leadership could potentially alter their tenuous loyalties.<sup>75</sup>

Bedouin domination of the officer corps became more pronounced as the Jordanian demographic reality changed following the annexation of central Palestine and the West Bank in 1948. The union with the West Bank allowed the integration of around 460,000 residents into Jordan where they were granted full citizenship as well as property

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<sup>71</sup> Massad, *Colonial Effects*, 111.

<sup>72</sup> *Ibid*, 52. This law effectively associated stability and prosperity with military service. For information on Jordanian military service in general.

<sup>73</sup> Mohammed A. Al Oudat and Ayman Alshboul, "Jordan First: Tribalism, Nationalism and Legitimacy of Power in Jordan," *Intellectual Discourse* 18, no. 1 (2010): 71.

<sup>74</sup> The army's three infantry brigades comprised of ten regiments, five of which were Bedouin and the armored brigade was almost entirely Bedouin. The entire army comprised of eighteen regiments, of which seven were exclusively Bedouin, not counting the camelry of the Desert Patrol and the Reconnaissance Squadron, which were also exclusively Bedouin.

<sup>75</sup> P. Vatikiotis, *Politics and the Military in Jordan: A study of the Arab Legion 1921-1957* (London: Frank Cass., 1967), 20.

ownership rights.<sup>76</sup> However, this overwhelming influx of Palestinian citizens did not translate into a significant change in the makeup of the officer corps, except for the fact that Palestinian Bedouins from the Beersheba region were eventually allowed to join the military as rank and file soldiers.<sup>77</sup> The King's reluctance to recruit Palestinians in the top brass saw its justification in 1957 when a coup attempt led by chief of staff Ali Abu Nawar, a pro-republican Jordanian, occurred.<sup>78</sup> Nawar found support for his plot amongst Palestinian members of the military and so formed an infantry brigade made up purely of Palestinians, simultaneously purging a number of tribal officers who threatened his plot. Hussein uncovered the plan and Habes al-Majali, a loyal Bedouin tribesman from the loyalty nucleus city of Al-Karak, swiftly replaced Abu Nawar, while around 50-75 officers were arrested and the fourth infantry division was dissolved. Out of the fear of uniformed Palestinians, which arose as a result of this coup attempt, the Transjordanian element, particularly in the praetorian armored and Royal Guards brigades that were permanently stationed in the Capital, was enhanced.<sup>79</sup>

The demographic reality continued to play against Hussein in 1967 when an estimated 310,000 Palestinians escaped the West Bank and Gaza Strip to the East Bank. This exodus continued to the point that the Palestinians constituted 65 percent of the total population,<sup>80</sup> giving rise to conflicting developments in the possibility of Palestinian inclusion in the Jordanian military. The demographic change coincided with the dismantling of the Palestinian National Guard, many members of which Hussein reluctantly absorbed into the Jordanian Armed forces after careful security screening.<sup>81</sup> At this point, Palestinians made up 40 percent of the Jordanian military forces.<sup>82</sup> Though this was a promising opportunity for the dilution of the East Bank tribal dominance of the

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<sup>76</sup> Linda L. Layne, *Home and Homeland* (New Jersey: Princeton University Press, 1994), 23.

<sup>77</sup> Massad, *Colonial Effects*, 117.

<sup>78</sup> Riyāḍ Najīb Rayyis and Dunia Nahas, *Politics in Uniform: A Study of the Military in The Arab World and Israel* (Beirut: An-Nahar Press Services, 1972), 41.

<sup>79</sup> Rayyis, "Politics in Uniform," 43.

<sup>80</sup> Valerie Yorke, "Jordan Is Not Palestine: The Demographic Factor," *Middle East International* 16 (1988): 16-17.

<sup>81</sup> Moshe Shemesh, *The Palestinian Entity, 1959-1974: Arab Politics and The PLO* (London: F. Cass, 1988), 94.

<sup>82</sup> Samir A. Mutawi, *Jordan in the 1967 War* (Cambridge: Cambridge UP, 1987), 81.

officer corps, it was quickly cut short as fierce hostilities developed between the Jordanian military and the Palestinian national movement.<sup>83</sup>

In the period between 1967 and the early 1970s, political tensions between Palestinian residents and the Kingdom rose as the Palestinian Liberation Organization (PLO), under the leadership of Yasser Arafat, defied Jordanian sovereignty (in the eyes of the king) by taxing Palestinians in the West Bank. Further defiance came in the form of consecutive attacks on Israel that brought on large-scale Israeli attacks on Jordanian cities. The Jordanian government had already cut off support for the PLO in 1966, and with increased Palestinian propaganda against Hussein, popular protests arose against Hussein as a result of the Israeli attack on the West Bank village *al-Samu* so that the Jordanian Armed eventually intervened to stabilize the situation.<sup>84</sup> Matters continued to escalate as the struggle for power between the Jordanian government and the armed Palestinian organizations intensified. One of the main clashes took place in 1968, when the Armed Forces attempted to disarm Palestinian Refugee camps; this evolved into a volatile situation where guerrilla groups conducted widespread attacks against the military.<sup>85</sup> Joined by six other organizations, the PLO and the Popular Front for the Liberation of Palestine (PFLP) demanded escalations to the extent that the commandos called for a general strike and propagated the idea of civil disobedience.<sup>86</sup> Fighting evolved into the ten-day civil war known as Black September, in which the commandos seized control of several important places, including the oil refinery of Al-Zarqaa'. The loyal Bedouin-dominated military eventually emerged victorious, killing around a thousand Palestinians, defeating the PLO and consequently expelling its troops from Jordan.

This period of violent confrontation is particularly significant, not only for the so-called Jordanization (Urdana) or the de-Palestinization of the military and the public sector, but also because it paved the way for Palestinian domination of the private sector. The primary sign of the times can be seen in the diminished role of Palestinians (or Jordanians of Palestinian origin) in the military, such that the percentage of Palestinians

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<sup>83</sup> Rayyis, *Politics in Uniform*, 43.

<sup>84</sup> *Ibid*, 34.

<sup>85</sup> *Ibid*, 39.

<sup>86</sup> Mutawi, *Jordan in the 1967 War*, 83.

serving in the military fell to 15 percent by the mid- 1970s.<sup>87</sup> Another manifestation of this period was that the confrontation between the Hashemite regime and Palestinian factions demanded a new social contract to help ensure the country's stability. Hussein ensured rewarding opportunities in the private sector for Palestinians who were willing to live in peace; this program was gradually expanded through structural adjustment policies in the late 80s, and later in the late 1990s and throughout the 2000s by Abdullah's bolder privatization strategies.<sup>88</sup>

More importantly, this period brought to the surface some of the bottled-up tension between the East Bank tribes and the Palestinians. Such mutual resentment manifested in the form of nationalisms: for example, the rise of a Transjordanian nostalgic sentiment, expressed by the slogan "East Bankers first," which took the form of outspoken opposition to the role of Palestinians and Palestinian institutions in Jordanian affairs, thus emphasizing the Transjordanian eagerness to dominate state institutions – most important of which is the military.<sup>89</sup> Subsequently, a tribal-oriented recruitment method was enhanced through the gradual development of an imminent threat to the existence of the kingdom evoked by the rise of the slogan "Jordan is Palestine," mainly propagated by PLO members and heeded by a number of Arab leaders.<sup>90</sup>

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<sup>87</sup> Juan Jose Escobar Stemmann, "Jordan's Future Challenges," *Middle East Review of International Affairs*, 14, no. 4 (2010).

<sup>88</sup> Allison Hodgkins (distinguished professor and scholar) in discussion with the author, June 2015.

<sup>89</sup> Al Oudat "Jordan First," 81.

<sup>90</sup> The first event was a statement made in 1973 by the Tunisian President Bourgiba who proposed a Palestinian state to replace the Hashemite regime in Jordan. The second event was triggered by an article authored by Isam Saknini, a PLO activist with the Palestinian Research Centre, who called for the establishment of a Palestinian East Jordan as a substitute entity that cumulates the present and historical characteristics of Palestinians and East Jordanians. Farouk Kaddumi who was head of the PLO's political department incited similar calls. Other figures who circulated the slogan "Palestine is Jordan" included Zaid al-Rifai (at that time the Jordanian Prime Minister) and Kaddumi who discussed how to coordinate their efforts in view of the Rabat Resolution. During these discussions, Kaddumi attempted to examine the number of Palestinian-Jordanians and their geographical distribution in the refugee camps and outside. The request irritated al-Rifai, who said that the PLO had nothing to do with the Palestinians in Jordan simply because they were Jordanians under Jordanian jurisdiction. Moreover, the Likud party position was viewed in Jordan as a serious threat, raising the specter of Jordan being transformed into Palestine. See A. Abu-Odeh, *Jordanians, Palestinians, and The Hashemite Kingdom in The Middle East Peace Process* (Washington, D.C.: United States Institution of Peace Press, 1999), 231-235.

The propagation of threats to the existence of the kingdom made Hussein more dependent on the loyalty of the East Bank tribes than he had ever been before and strengthened the military leadership vis-à-vis the Hashemite ruling elite. A major stride in empowering the political agency of the military had already started following the 1967 War with the imposition of martial law, which placed the executive and to a large extent the legislative power under the General Intelligence Department (GID or *Mukhabarat*), which was keen on expanding the Trans-Jordanian character of the security apparatus (not surprising, since the *Mukhabarat* was heavily stacked with East Bank tribesmen in uniform).<sup>91</sup> Politicizing the military further, Hussein appointed Jordan's first military government under the leadership of Brigadier Mohammad Daoud as Prime Minister, who in turn appointed a cabinet full of military officers, granting them more leverage in political decision-making as well as paving the way for the military personnel's ability to use their political importance in exchange for economic benefits.<sup>92</sup> Another important development was the 1974 decree granting Bedouin members of the military immunity from tribal law, issued by a Palace Convention (*Mahdar al-Qasr*).<sup>93</sup>

However, pressure to expand and modernize the military prompted Hussein to alter the military recruitment method in order to satisfy the military's growing need for highly educated personnel. A National Service Law, stipulating compulsory two-year military service for all eligible males upon reaching 18 years of age, was passed in 1976 by a royal decree.<sup>94</sup> This law succeeded in achieving the desired modernization, as the whole military was effectively mechanized within eighteen months of the law's issuance. Nonetheless, it was applied selectively, as political reliability continued to play a major role in the acceptance of applicants as career officers in the military establishment. Undoubtedly, the conscription legislation was useful in altering the conformation of the younger officers over time, as around 30 percent of conscripts were of Palestinian origin.<sup>95</sup> However, scholars studying the Jordanian military including Axelrod (1978),

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<sup>91</sup> Tariq Tell, "The Socio-Political Mobilization of The Military Veterans in Jordan," (Draft Manuscript, Carnegie Research Institute, 2015): 3.

<sup>92</sup> Layne, *Home and Homeland*, 50.

<sup>93</sup> Massad, *Colonial Effects*, 61-62.

<sup>94</sup> "Qanoun al- Tagnid al-Igbari A'am 1976: Safha men E'laket al- 'Aurdonin Begaishom," *Zaman Legal Archives.com*, December 25, accessed, June 3, 2015.

<sup>95</sup> Tell, "The Socio-political Mobilization," 3.

Jureidini and McLaurin (1984), and Day (1986) stressed that even after the introduction of general conscription, older officers - the majority of whom were of Bedouin origin (mainly tribes such as Bani Sakhr, the Huwaytat, the Sirhan and the Shammar) - continued to hold vital leadership positions such as commandship of strike units at battalion.<sup>96</sup>

The late 1980s and 1990s witnessed the full restoration of the Bedouin factor in the military institution. Palestinian membership fell to insignificant levels as King Hussein relinquished Jordan's legal and administrative claim to the West Bank in 1988. Also, following the conclusion of Jordan's peace agreement with Israel in 1994, Hussein issued a royal decree suspending general conscription and instead installed a system whereby the Jordanian military was converted into a professional all-volunteer army consisting of around 100,000 troops.<sup>97</sup> This development helped to restore Bedouin dominance, as Bedouin military leaders continued to encourage as well as facilitate the enlistment of their fellow tribesmen. One policy facilitated by Hussein's propagation of favoritism in university placement was the "Royal Dispensation" (*makrumah malakiyaa*) to the children of favored military personnel, which increased their chances of admission into military academies.<sup>98</sup> Moreover, with Palestinians' increased involvement in the economy, East Bank tribes found solace in the relatively high salary guaranteed through military service, in addition to taking advantage of the political and social prestige that comes with wearing the uniform.<sup>99</sup>

Upon coming to power in 1999, King Abdullah II followed in his father's footsteps as he upheld both the suspension of general conscription and the Kingdom's reliance on the Bedouin-dominated military and intelligence apparatuses - shown by the

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<sup>96</sup> Paul A. Jureidini, and R. D. McLaurin, *Jordan: The Impact of Social Change on the Role of the Tribes* (Washington D.C.: Praeger and The Center for Strategic and International Studies, 1984), 15; Lawrence Axelrod, "Tribesmen in Uniform: The Demise of the Fida'iyyun in Jordan, 1970-71." *The Muslim World* 68, no.1 (1978): 29. See also Arthur R. Day, *East Bank/West Bank: Jordan and the Prospects for Peace* (New York: Council on Foreign Relations, 1986), 80-81.

<sup>97</sup> Alexander Bligh, "The Jordanian Army: Between Domestic and External Challenges," *Middle East Review of International Affairs*, 5, no.2 (2001): 14.

<sup>98</sup> Anne Marie Baylouny, 'Militarizing Welfare: Neo-liberalism and Jordanian Policy,' *Middle East Journal*, 62, no. 2 (2008): 278.

<sup>99</sup> Asaf Romirowsky, "Separate But Equal," *Front Page Magazine.com*, April 17, 2007, accessed May 22, 2015, <http://www.meforum.org/1682/separate-but-equal>.

fact that all the heads of military and public security<sup>100</sup> belonged to tribes whose loyalty has historically lain with Hashemite rule (The Bani Sakhr tribe in particular).<sup>101</sup> More evidence of Abdullah's support for a Bedouin-dominated officer corps is his continuing resistance to the revival of the National Service Law, despite increasing calls for the restoration of general conscription by Prime Minister Ma'rouf Bikhit in 2007.<sup>102</sup>

To sustain the East Bank tribes' loyalty to the kingdom, King Hussein, and later his son Abdullah II, formulated a number of economic coup-proofing strategies to bind them to Hashemite rule. This was not an easy task, since even though relying on one communal group for military recruitment should provide a natural base for organic loyalty, the Hashemites are neither indigenous nor do they belong to the tribes on which they desperately rely. On several occasions, the Bedouins did not uphold their loyalty for the kingdom, and tribes have given their allegiance to other entities according to current interest. One example is the northern tribes who are loyal to the Syrian regime; many of them hold dual citizenships and even raised the Syrian flag during the Syrian invasion of Jordan in 1970, so that the Jordanian Armed Forces intervened to compel them to raise the Jordanian flag.<sup>103</sup> Moreover, the southern tribes, who constitute the loyalty nucleus of the kingdom, have also historically pledged loyalty to whomever provided better benefits - starting with the Turks, then the British, and for now the Hashemites.<sup>104</sup> Other occasions where Transjordanians publically defied the state include the 1989 riots in Ma'an, Karak

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<sup>100</sup> It is granted Abdullah II attempted to instill communal diversity in the public security forces. However, this step was stifled by East Bankers' almost path dependent domination of the security apparatuses. Abdullah hoped to establish a new Praetorian guard force that would constitute a major Palestinian component to reflect the rise of a new economically as well as politically powerful Palestinian Jordanian elite primarily loyal to Abdullah. With East Bank's rooted social networks that dictate (*Wasta*) intermediation as the main prerequisite for military employment, the new Gerdarmaire (*al-Darak*), a 30,000 strong internal security force ended up mirroring the official military organizational feature being formed of no more than 15 percent Palestinians in 2011. This helps shed light on the importance of the existing networks rooted in the historical domination of the East Bankers among the security apparatus. In addition it reinforces the idea that such a deep organizational characteristic cannot be changed overnight even if the incumbent wished it.

<sup>101</sup> Samer Libdeh, "The Hashemite Kingdom of Apartheid?" *The Jerusalem Post*, Apr. 26, 2010, accessed June 15, 2015, <http://www.jpost.com/Opinion/Op-Ed-Contributors/The-Hashemite-Kingdom-of-Apartheid>.

<sup>102</sup> "Al-khedma Al-A'skaria: Hal Ta'oud Mojadadan Fe Al- Urdon" *Kol Al-Urdon News*, June 28, 2014, accessed May 29, 2015.

<sup>103</sup> Mudar Zahran, "Jordan Is Palestinian," *Middle East Quarterly*, 19, no.1 (2012): 12.

<sup>104</sup> *Ibid*, 10.



and Tafila (Transjordanian populated governorates), where thousands of residents took to the streets in protest of the removal of subsidies and subsequent price increases.<sup>105</sup> Needless to say, the kingdom continues to carry the burden of mediation between the majority Palestinian population and factions of the indigenous Transjordanians, both of which have exhibited secessionist tendencies on various occasions. Therefore, to combat coup risk, the Hashemite elite is under intense pressure to cater to the economic needs of opposing groups, to not provide them with autonomy but to decimate just enough benefits to keep them loyal.

The following sections show the functionality as well as the development of the applications of economic coup-proofing in the on-budget and the off-budget forms.

### 3.2 On-budget incentives

“The cohesion of the Jordanian regime and the loyalty of its security establishment is a function of the economic dependence of the East Bank population on a militarized welfare-regime for secure employment and social provision. Entitlements disbursed by the military exchanged loyalty for economic security, ensuring that the Hashemite monarchy endured despite a precarious location on the frontlines of the Arab-Israeli conflict. Even after the cutbacks enforced by IMF driven structural adjustment during the last decade of King Hussein’s rule, the welfare functions of the security sector were maintained. A ‘militarized liberalization’ of the Jordanian state shifted entitlements from the East Bank population at large and concentrated them on a ‘strengthened military’”<sup>106</sup>

Drawing on Tariq Tell’s summary of patronage distribution in Jordan, this section explores how military spending was used to garner the loyalty of the Kingdom’s backbone, the East Bank Transjordanians. I will begin by analyzing the legal frameworks within which the Hashemite Kings control budgetary allocations (primarily using constitutional text), showing the regime’s ability to guide budgetary goals. Because of the Jordanian military’s communal character, I expect to find that the budget was heavily

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<sup>105</sup> David Leathers, *Against The Grain: Bread Riots, and Altered State Development in the Hashemite Kingdom of Jordan* (Senior diss., Claremont McKenna College, 2015), 2-3.

<sup>106</sup> Tell, “The Socio-political Mobilization,” 1.

used to cater for personnel costs. Second, I will analyze the distribution of arms purchases, focusing on how arms contracts are used to distribute benefits on the majority Bedouin military leadership.

### 3.2.1 Budgetary Control in the Constitution

Since independence, the Hashemite Kingdom of Jordan has seen one constitution, which came into force in 1952 and has been amended a number of times since - though the text on financial matters has remained intact. Chapter seven of the constitution, which does not refer directly to the military budget, nonetheless stipulates the drawing, the management and the execution of the general budget. According to article 112, the government is responsible for the preparation of the General Budget law, which is then presented to the National Assembly for review and authorization. The article also adds that “The National Assembly, when debating the General Budget draft law or the provisional laws relating thereto, may reduce the expenditures under the various chapters in accordance with what it considers to be in the public interest, but it shall not increase such expenditures either by amendment or by the submission of a separate proposal. However, the Assembly may after the close of the debate propose laws for the creation of new expenditures.”<sup>107</sup> This shows that in theory, the minister of defense is directly responsible for the management of the military which grants him responsibility for administrative and logistical functions but forbids him from taking any decision regarding modification in budgetary allocations until sanctioned by the king himself under article 31, which necessitates the king’s ratification of the General Budget Law for it to come into effect. This shows that any increase in military expenditures, in practice falls under the full control of the king or at times the prime minister. This lends insight on the fact that if the budget was to be used as a tool of economic coup proofing then the king has high capacity to influence the sum and where it would go.

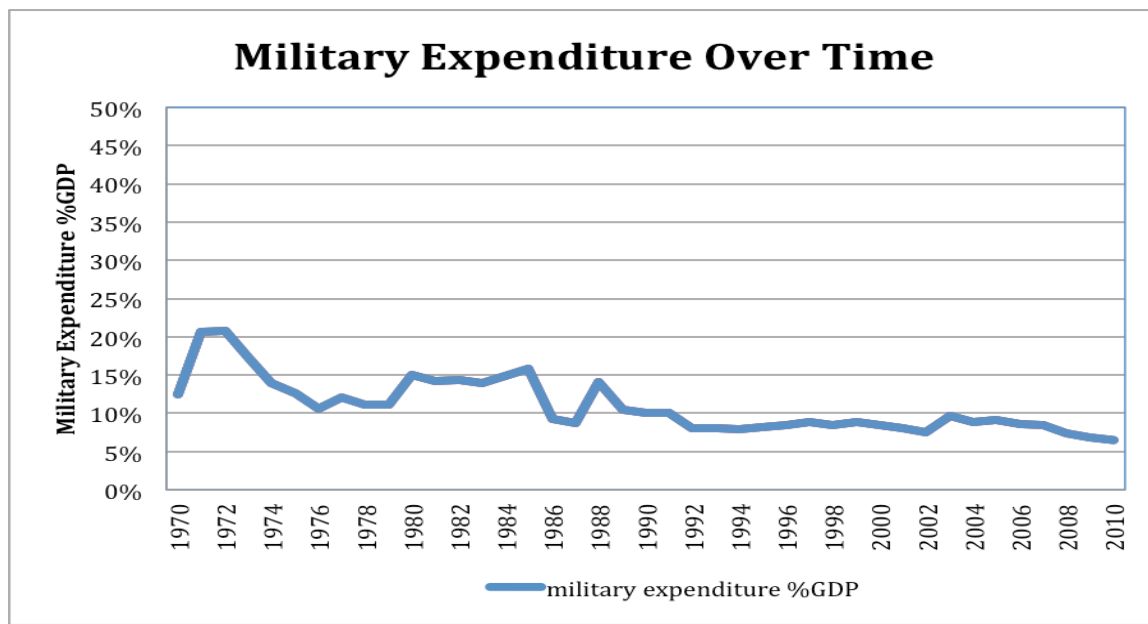
In order to detect the extent to which the budget can be used to garner loyalty, it is important to look at the management of spending pertaining to personnel costs. According to Leo Sommarja (2012), author of the report “Jordan Budget Manual” for the

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<sup>107</sup> The Hashemite Kingdom of Jordan Constitution, 1952, Article no. 112, available at: [http://www.law.yale.edu/rcw/rcw/jurisdictions/asw/jordan/jordan\\_const\\_eng.pdf](http://www.law.yale.edu/rcw/rcw/jurisdictions/asw/jordan/jordan_const_eng.pdf).

“Jordan Fiscal Reform II Project” produced by the USAID/Jordan Economic office, each government department and unit submits a detailed manpower table showing information about every position in the government department or unit (such as salaries & promotions) with a brief outline of personnel funding levels for each position provided by the Civil Service Bureau.<sup>108</sup> The military, however, belongs to a category of departments that are exempt from the Civil Service law. Therefore, they follow the same processes as other government departments and units that are subject to the regulation, but unlike other regular departments, the military is privileged with additional flexibility regarding specific changes in the distribution of personnel expenses, providing the king sanctions such changes. This reinforces the argument that Hussein and later his heir could utilize the budget as a tool of economic coup-proofing.

**Graph 2: Military Expenditures in Jordan: An Analysis Over Time**



Source: World Military Expenditures and Arms Transfers reports (WMEAT)

<sup>108</sup> USAID, U.S. Agency for International Development, *Jordan Budget Manual: A Guide to Policy, Process and Analytics Techniques*, by Leo Sommaripa (Washington D.C., 2012): 48, <http://www.frp2.org/english/Portals/0/PDFs/Jordan%20Budget%20Manual%20English%2027%20Feb%202012%20-.pdf>.

### 3.2.3 Rentier Politics and the Jordanian Military's Welfare system

Military aid constitutes the major source of income for the Jordanian military, which has always enjoyed generous benefits including non-repayable grants, concessions on arms purchases, operation and maintenance costs and technical support. The armed forces received such benefits first from the British throughout the 1940s and 1950s, then from the Gulf States between 1974 and the early 1990s (especially at the Arab Summits at Rabat in 1974 and Baghdad in 1979), and this pattern continued as the country received between 6 and 10 billion US dollars from 1991 to 2010<sup>109</sup> - particularly since Jordan gained the status of Major Non-Nato Ally (MNNA) which grants the military privileged access to US defense articles, loans and equipment.<sup>110</sup> This contributed to the Diwan's ability to distribute regular and consistent benefits that could buy the military's loyalty - shown by stable military expenditures as a percentage of GDP (see Graph 2).

### 3.2.4 Military Spending and Arms Purchases

Arms purchases play a number of roles in the process of economic coup-proofing. The major function of arms purchases was described by Samuel Huntington and widely shared by many others: that providing the military with state-of-the-art equipment can help ensure their satisfaction. This argument pertains to satisfying the military's corporate interest, which will be explained in the section on the Jordanian military's industrial arm, the KADDB. Moreover, arms purchases can be a venue for direct personalized incentives targeted at favored military factions. This point will be explained further in the later section on off-budget coup-proofing.

Of all military spending, personnel and personnel-related costs constituted a large portion of overall expenses, particularly because donor countries have traditionally incurred the cost of arms. The U.S. even paid operation and maintenance costs needed to uphold the large military establishment, suggesting that a considerable amount of budgetary military expenditures went to personnel.

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<sup>109</sup> U.S. Library of Congress, Congressional Research Service, *Jordan: Background and U.S. Relations Congressional*, by Jeremy M. Sharp, RL33546 (2015): 20, available at: <https://fas.org/sgp/crs/mideast/RL33546.pdf>.

<sup>110</sup> *Code of Federal Regulations*, Foreign Assistance Act, title 22, sec. 120.32.

Utilizing the flow of aid, Hussein made an implicit deal with the East Bank tribes, in exchange for their support and loyalty, in which they received ever-growing benefits, mainly from public service in general and military service in particular. Appropriating no less than 8 percent of GDP, the military institution enjoyed grand benefits that resulted in the development of a welfare system that kept military personnel - as well as their respective tribes' social mobility and economic prosperity - bound to military careers and the Hashemite rule.

Personnel benefits ranged from advanced medical treatment in the King Hussein Medical City to access to special shops that sell goods to soldiers' families at subsidized prices, cushioning the impact of inflation and stretching the purchasing power of military pay packets. Other benefits included tax-free cars and house loans as well as a wide array of *mukrumat malakya*. These benefits lasted into retirement as the welfare system also covered several hundred thousand military pensioners, which granted them much better privileges in comparison to the Civil Pension plan such as the no ceiling on covered wage policy.<sup>111</sup>

Beyond the monetary benefits attached to the military's welfare system, it also created a privileged class out of military men and their families. Because of restrictions on Palestinian recruitment, the system was effectively split between the in-group (the East Bank military and the Mukhabarat) and those left out of the system entirely - mainly Palestinians or Jordanians of Palestinian origin. For the military personnel, welfare meant secured employment for their families in particular and tribes in general. Along with a steady income that set them apart from the rest of the population, these jobs meant that military men were not only well off but also prestigious.<sup>112</sup>

This did not last, however. The kingdom could sustain economically coup-proofing the military through large budget endowments as long as abundant foreign financial support flowed in. However, in the mid-1980s this seemingly stable strategy of institutionalized indirect economic coup-proofing began to falter with the severe fall in oil prices coupled with a sharp slashing of Jordan's world markets, producing a budget

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<sup>111</sup> Mohamed M. Sartawy, *The Pension System in Jordan: Main Challenges and Proposed Reforms*, World Bank, June 9, 2003, accessed June 12, 2015.  
<http://info.worldbank.org/etools/docs/library/77421/june2003/ppt/w1/jordan.pdf>. 1-56. 39.

<sup>112</sup> Allison Hodgkins in a discussion with author.

crisis that crippled the King's ability to rely on budgetary allocations to maintain the loyalty of the military leadership.<sup>113</sup> In his address to the Jordanian people in April 1989, King Hussein clearly stated that it was hard for the kingdom to meet the military's growing procurement needs.<sup>114</sup>

In an attempt to salvage the situation, Hussein embraced the IMF's structural adjustment policies, hoping to secure an IMF loan worth \$275 million. With their reduction of subsidies and erosion of the welfare system, Hussein's policies aggravated the economic hardships of the already impoverished East, which struggled to make ends meet as the value of the Jordanian currency fell by 60 percent<sup>115</sup> - particularly among military personnel -, causing severe backlashes.<sup>116</sup> With unemployment rates reaching 14 and 18 percent in Jordan (according to the Ministry of Labor) and at least 21 percent at in East Bank tribal areas like Ma'an, Karak and Tafila, more and more Bedouins pursued military careers,<sup>117</sup> thus increasing the burden of military expenditures.

With economic conditions deteriorating, the inequality gap widened as the private sector flourished, benefiting densely Palestinian-populated metropolises like Amman and Irbid in the northwest while Transjordanians in the east, mainly employed by the state, remained excluded from private sector wealth. Balint Szlanko (2014) highlighted this reality by saying "Amman, the capital, is a glitzy and throbbing metropolis, with tall buildings, three-lane highways, malls, sports-car retailers and Western-style restaurants. Jordan is considered an emerging knowledge economy with a foothold in IT and telecoms. But out east, in the country's heartland, bazaars have no shoppers, the young have no jobs and people survive on government fuel handouts,"<sup>118</sup>

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<sup>113</sup> Katherine Blue Carroll, *Business as Usual? Economic Reform in Jordan* (Lanham: Lexington, 2003), 23.

<sup>114</sup> "King Hussein's Address to the Nation," *Amman television Service FBIS*, April 27, 1989.

<sup>115</sup> Scott Greenwood, Jordan's New Bargain: The Political Economy of Regime Security," *Middle East Journal* 52, no. 2 (2003): 260.

<sup>116</sup> The erosion of the military's welfare system can be demonstrated through the merger of the military's pensions with the civilian benefits system. See Tell, "The Socio-political Mobilization," 8.

<sup>117</sup> Timothy J. Piro, *The Political Economy of Market Reform in Jordan* (Lanham: Rowman & Littlefield, 1998), 34.

<sup>118</sup> Blaint Szlanko, "Jordan's Divided Kingdom," *Le Monde Diplomatique*, May 2014, accessed June 18, 2015, <http://mondediplo.com/blogs/jordan-s-divided-kingdom>.

On account of this rapid erosion of the military's welfare system, disgruntled military personnel started raising their voices more than ever before. The Jordanian military has a history of openly exerting pressure on King Hussein and his son King Abdullah II. Throughout the 1970s, demands for higher living standards - involving sit-ins, protests and even mutinies - were common, and officers and enlisted men raised such demands equally. King Hussein's usual response was to give in to their demands through pay increases, evident by army salaries being raised several times between 1975 and 1981, with two pay hikes in 1980 alone.

To give one example: In 1974, a limited military mutiny in Zarqaa' took place among the Bedouin members of the 40th armored brigade (an elite force where king Abdullah II served as a colonel in 1993).<sup>119</sup> This rebellion was triggered by the increasing cost of living and soaring inflation. Soon after, Hussein issued orders to increase the pay of all military members, a pattern that he preemptively extended to factions of the military who had not complained, including the Air Force. Around 20 percent of the 1979 military budget was dedicated to pay increases. More recently, discontent reached an alarming degree as the National Committee of Military Veterans opened fire on the monarchy to bring attention to King Abdullah's disadvantaging of Transjordanians in favor of Palestinians who, according to this group, dominate the economic and the political arenas.<sup>120</sup> In a petition signed by 60 military veterans, including a considerable number of retired generals, veterans expressed their growing discontent with power changing hands from the old Transjordanian elites to the newly empowered Palestinian business class.

To better explain the deterioration in the military's welfare system and the increase in military discontent with economic hardships, I will examine the Jordanian military's business activities, another venue where the steady allocation of military expenditures as a percentage of GDP could be traced.

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<sup>119</sup> Harold D. Nelson, "National Security," In *Jordan: A Country Study*, ed. by Richard F. Nyrop. 3<sup>rd</sup> ed. (Washington D.C.: Foreign Area Studies, The American University, 1980), 195.

<sup>120</sup> Assaf David, "The Revolt of Jordan's Military Veterans," *Foreign Policy*, June 16, 2010, accessed June 12, 2015, <http://foreignpolicy.com/2010/06/16/the-revolt-of-jordans-military-veterans/>.

### 3.3 The Jordanian Military's Business Activities

The Jordanian military's role in the formal economy, a major factor in the military's economic incentives, was enhanced over time for two main reasons. On a financial level, the increasing burden of satisfying personnel demands through indirect welfare systems transcended the boundaries of military personnel to encompass whole families and tribes. With economic hardships incurred by the Jordanian economy during the 1980s and 1990s, the risk of dissatisfaction by the regime's backbone increased (see above for occasions when military openly exerted pressure on Hussein to gain more benefits), and so the development of a military-industrial arm can be a more direct way of focusing economic incentives leading to what Tell's earlier quote described as a "strengthened military". Politically, Abdullah's decision to expand the military's economic role was a way of incorporating Jordanians of Palestinian origin who constitute the private sector and the Bedouins (Transjordanians) who continue to form the top tier military leadership, which will strengthen his grip on power.<sup>121</sup>

Under Hussein, the military did not play an extensive role in the formal economy, at least not in the form of ownership and management of enterprises. However, they constituted a power to reckon with in terms of their engagement in civic action programs. Like the Syrian and the Egyptian militaries, the Jordanian Armed Forces take pride in their position as servants of the nation. They were historically involved in nearly everything, as Hussein pointed out shortly after he came to power.<sup>122</sup> They were involved in a large number of development-oriented civic programs, including large infrastructure projects like the construction of roads and bridges. They also began a number of literacy training projects as well as vocational trainings. Still, such initiatives did not yield any substantial revenues and so the military institution remained heavily dependent on the budget and hence on Hussein's rule.

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<sup>121</sup> According to Baylouny, there is evidence pointing to the Palestinian domination of the private sector. This evidence includes a report by The Center for Strategic Studies indicating that the share of capital owned by individuals of Palestinian origin to have been as high as 83% in 1996. See Baylouny, 'Militarizing Welfare,' 279.

<sup>122</sup> Nelson, "National Security," 200.



To contain coup risk, open the door for more revenues to satisfy the personnel's growing demands, and rectify the military's marginalization from the formal economy, Abdullah II took a different path from that of his father by encouraging and expanding the military's involvement in economic activity. This expansion encompassed both the civil economy and arms production (both dubbed as the military's developmental role, according to the Jordanian Armed forces' official website).

The original purpose of the Military Consumer Corporation, established in 1973 by Royal Decree number 120 in Zarqaa' and moved to Amman in 1974, was to provide the consumer goods necessary for military personnel. Over time, its mission statement expanded to include providing low-price food products for all the Jordanian people. The corporation owns stores all over the country, divided by region: Middle, South and North. The Middle region has thirty-seven stores, the Northern region has 38 and the Southern 31 stores.<sup>123</sup> They are meant to protect people from falling prey to monopolies; however, judging by the sheer size of the establishment, it seems to constitute a major player in the Jordanian food market.

The Directorate of Housing and Military Workers (established in 1979) occupies esteemed positions in a number of fields, including both military and civil construction in addition to managing the purchase and sale of land. They are particularly involved in the construction, operation and maintenance of water and electrical stations. More recently, the Directorate expanded its activities in the civil construction economy through the establishment of two companies representing major sources of revenue. The first of these is the Arabian International Construction and Contracting Company (AICC), established by the Ministry of Defense in 2006, which is engaged in large infrastructure construction projects all over the country and involved in the operation and maintenance of military hospitals, schools and many other public works. The other company is the Ultimate Building, Manufacturing and Development Company (Sharaket Al-Qima Lel-tasnee'e wa Tatweer Al-mabany), headed by General Mohamed Mobaydeen and General Mo'tasem al-Mohsen al- Tofaily, both descendants of Bedouins from the cities of Karak and Tafila, respectively. The company is particularly involved in large venture partnerships, mainly

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<sup>123</sup> "Al-Mo2asas Al-estehlakya Al-'Askaryya," Jordan Armed Forces- Arab Army official website, accessed June 5, 2015, <http://3A%2F%2Fwww.jaf.mil.jo%2FContents%2FMCEar.aspx%23.VX3BsuuzeFQ>.

construction projects. In 2009, they initiated one of their most recent housing projects that aimed at implementing Jordan's first Canadian construction system "TILT-Up" at the King Hussein Medical City (Madenat Al-Malek Hussein al-Tibya).<sup>124</sup>

In one example of the cooperation between the Palestinian-dominated private sector and the military, the Ultimate Company joined forces with a number of Palestinian-owned companies (private sector Tycoons of Amman) including Abu Halimeh Brothers Contracting company (AHCC), Falcon Investments, a Public Limited Company led by the Chairman of the board Younis al-Qawasmi (a Jordanian of Palestinian origin) and the Canadian company Site Cast (jointly owned: 50% by Falcon Investments and Financial Services and Ahmed Farakh, a Palestinian businessman from the town of Sa'eer east of Al-khalil in the West Bank, and 50% by the mother company in Ottawa, Canada).<sup>125</sup> According to the company's official website, this triad of companies aims to expand their activities to the Gulf region and the Middle East as a whole with projects like the management complex and clinics for Queen 'Aliaa hospital, the Kidney Center at the Prince Rashid Bin Al-Hussein Hospital, the construction of the Al-Batraa school and the Student Hostel at the Princess 'Aisha establishment.<sup>126</sup>

### 3.3.1 The Jordanian Arms Industry and the KADDB

The Jordanian military has also deepened its position in the economy by taking up a role in international arms trade and military technology production. The King 'Abdullah II Design and Development Bureau (KADDB) was established by royal decree in 1999 not long after Abdullah's ascendance to the throne. Because of the confidentiality of sales and revenue figures, it is very difficult to assess the extent to which KADDB activities contribute to the funds available for economic coup-proofing.<sup>127</sup> However, tracing the

<sup>124</sup> "Al-Qima le Al-Tasnee' a Al-Tatweeer al- Mabany Tangez Awal Namozag Tagreeby lenezam al- Benaa Al- kanady fe al-Urdon," *Al Ra'y News*, July 1, 2010, accessed May 5, 2015.

<sup>125</sup> "Muderet Mo'asaset Al-Escan W Al-Tashgheel El-'Askarya," Jordan Armed Forces- Arab Army official website, accessed June 6, 2015.  
[http://www.jaf.mil.jo/Contents/Directorate\\_of\\_Housing\\_and\\_Military\\_Worksar.aspx#.VXLLv-uzefQ](http://www.jaf.mil.jo/Contents/Directorate_of_Housing_and_Military_Worksar.aspx#.VXLLv-uzefQ).

<sup>126</sup> "Al-Qima le Al-Tasnee'."

<sup>127</sup> Jomana Amara, "Military Industrialization and Economic Development: Jordan's Defense Industry," *Review of Financial Economics* 12, no. 2 (2008), 130-145.

organization's expansion internationally as well as nationally can lend some insight into their contribution to military expenditures.

Through the establishment of the KADDB, the door opened for the Jordanian Armed forces to enhance their economic presence on the international market by entering into joint-venture partnerships with at least 26 foreign defense companies to produce everything from armored vehicles and combat boots to pre-packaged field rations.<sup>128</sup> The Bureau's establishment also aided in the securing of profitable co-production contracts with foreign defense companies in a process described by Shana Marshall (2012) as a 'tip-for-tat' relationship.<sup>129</sup> Moreover, the institution enjoyed similar opportunities to develop economic relations with various segments of the private sector, which means that they also focused on partnering with domestic civilian entities. Among these local businessmen are Yazan al-Mufti (a Circassian of the Amman large elite families) who formed a joint venture with KADDB called Applied Defence Systems; Majdi al-Ya'qoub, whose company Orange Ville Consultants partnered with KADDB to build an assembly and maintenance facility for Russian helicopters, and Ziyad al-Ya'qoub, whose company Gravity Integrated Solutions resells many of the items produced by KADDB, including ballistic resistant enclosures, vehicle armoring technology, engine kits, spare parts, and other special forces supplies.<sup>130</sup>

Over time, the KADDB expanded by incorporating the KADDB Investment Group (KIG), which functions as the establishment's commercial and investment wing. According to the KIG's promotional literature, the establishment was able to successfully secure display space in two of the largest military production exhibitions in the world, the International Defense Exhibition (IDEX) in Abu Dhabi and Eurosatory in France (the largest International Defense and Security Exhibition).<sup>131</sup> In 2009, King Abdullah opened KADDB Industrial Park as another affiliate, which offers an optimum investment-attractive environment for investors and manufacturers from the defense and military industries.

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<sup>128</sup> Shana Marshall, "Jordan's Military-Industrial Complex and the Middle East's New Model Army," *Middle East Report*, no. 267 (2013): 1-3.

<sup>129</sup> Shana Marshall, *The New Politics of Patronage: The Arms Trade and Clientelism in the Arab World* (Working Paper 4, Crown Center for Middle East Studies & Brandis University, 2012).

<sup>130</sup> *Ibid.*

<sup>131</sup> Kaddbinvestment.com, accessed June 11, 2015, <<http://www.kaddbinvest.com/>>.

The organization proved its profitability on a number of occasions, evidencing the military institution's growing prospects in the accumulation of funds independent of the official military budget. In regards to the 'tit-for-tat' or offset agreements, the KADDB was able to secure a wide array of contracts. In 2002, the KADDB officiated a joint venture with the newly established CLS Jordan to build auxiliary power units. In 2003, KADDB signed an agreement with the manufacturer Oboron prom to construct a production and maintenance facility for the K-A 226 Helicopters in Jordan. In 2009, another venture partnership with the Dutch company Daedalus Aviation yielded the establishment of an F-16 maintenance facility in Jordan. In addition, the Bureau successfully broke into a higher level of advanced arms production by signing a contract with the Paramount Group of South Africa. The contract stipulated the manufacturing of mine-resistant vehicles. They also consolidated their cooperation with UK's Jankel group by producing Aegis 4x4 armored vehicles as finished products, which were exported to over twenty countries around the world. In the 2010 at the annual Special Operations Forces Exhibition and Conference (SOFEX), the organization signed one of its most successful deals for about \$100 million worth of exports to a number of Middle East and African countries.<sup>132</sup> The organization's success was also highlighted by the Chairman of KAADB and Managing Director of Mowared, Moayyad Samman who stressed that the organization yielded over a \$100 million in 2010 and predicted revenues to double in the following two years.<sup>133</sup> Moreover, the revenues of KIG alone were estimated at \$400 million annually.<sup>134</sup> In 2011, the Bureau continued to do well to the extent that they started establishing joint ventures with US defense firms such as Alliant Tech Systems to rework two CASA-235 military transport aircraft in KADDB's own industrial park.

In order to show the extent to which the Bureau's activities contribute to the military income, it is important to look at the economic challenges attached to such an industry. On the surface, the expansion in Jordan's domestic defense industry appears to be economically positive, but a deeper look sheds light on its burdening effects. One

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<sup>132</sup> These countries include Kenya, Oman, Saudi Arabia and Yemen. See Marshall, "Jordan's Military-Industrial Complex."

<sup>133</sup> "Jordan Report- Jordan Industry Sector," Marcopolis, Nov. 14, 2010, accessed June 7, 2015. <http://www.marcopolis.net/jordan-industry-sector.htm>.

<sup>134</sup> Marshall, "Jordan's Military-Industrial Complex."

major issue is that the whole establishment depends on the importation of raw materials, technology and spare parts, putting pressure on both the country's and the military's foreign currency reserves. Moreover, this high-technology industry drains the supply of highly skilled labor, which could affect the availability of labor needed to develop other civilian industries, more so in a country where the majority of skilled labor prefers to go abroad.<sup>135</sup> Furthermore, according to KADDB sources, the Bureau still receives funding from the Jordanian government of about \$12 million a year, which shows that such an establishment could easily increase budget strain. Marshall (2012) described the situation by saying that developing countries' arms industries do not yield substantial benefits for a country's economic development, stressing that national arms production might actually end up being more costly than importing armaments.

Nevertheless, the benefits of the KADDB's activities are not only economic, but also political. Like the Ultimate Building, Manufacturing and Development Company, KADDB represents an inspired model of economic co-optation where the Jordanians of Palestinian origin provide private investment through joint venture partnerships, and Jordanians of East Bank origin fill executive management posts on top of military-owned enterprises. This creates mutual benefits and helps to bridge the gaps between the two parties. It can also be viewed as an optimum venue for the distribution of economic incentives, through the supply of equitable management positions for retired generals. In addition, the military's industrial arm provides employment opportunities for engineers and trained managers graduating from the institution's technical colleges as well as for the vast number of unskilled laborers among the armed forces (mostly of East Bank origin). Such privileges can also trickle down to the East Bank tribes as a whole, as a positive step to remedy the already faltering public sector benefits.

What is more, the establishment of such military enterprises provides a unique opportunity for the channeling of Palestinian private sector funds into indirect patronage for the East Bank military men and eventually to their representative tribes as a whole. This newly founded interaction can be useful for political stability but it can be a threat to the sustainability of the Hashemite as it could help generate powerful pacts independent of the king.

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<sup>135</sup> Amara, "Military Industrialization," 137.

Nevertheless, the military's access to the formal economy can also leave room for select members to acquire personalized direct benefits through the manipulation of trade and industrial contracts and illicit activity.

### 3.4 Off budget Economic Incentives

This section will explore off-budget sources of economic incentives for the East Bank military leadership, by examining the gradual expansion of the military institution's role in the formal economy from Hussein to Abdullah II. Acknowledging the apparent consolidation of economic coup-proofing strategies based primarily on the previously discussed institutionalized incentives, the following paragraphs review other forms of direct incentives beyond that of the formal budget. I will derive insights from corruption cases.

Despite already receiving lavish privileges evidenced by the institution's high share of the national budget, certain members of the officer corps were able to use their professions' prowess to extract more profits. Using their access to the formal economy, officers serve as "business protectors." By occupying esteemed positions at the top of military-owned enterprises, officers are able to provide endorsement and protection for foreign as well as local venture partners in exchange for economic benefits. We can regard the case of Site Cast Construction Corporation Jordan. As mentioned previously Site Cast Jordan is the Jordanian arm of the mother company in Canada which is partially owned by Younis al-Qawasmi, whose company Falcon Investments and Financial services took the lead in establishing Jordan's first tilt-up structure as part of a military housing project located in the Military Hospital Complex in the center of Amman. In a venture partnership with the military's own Ultimate Building Company, the two had full agency to acquire the resources needed for the realization of the project. Three years after the start of construction, Qawasmi was brought before the Public Prosecutor for charges of corruption and profiteering.<sup>136</sup> Upon further investigation, patterns of similar conduct

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<sup>136</sup> "Tahweel Younis al- Qawasmi, Haytham al- Dahla, Osama and Hatem al-shahid, al-Masry w al- Qaryouty le almoda'ey al'am betoham fasad," *Albalad News*, January 1, 2013, accessed June 5, 2015, <http://www.albaladnews.net/more-64259-0>

were discovered in the Military Hospital project whereby both parties had agreed to draw contracts stipulating supply prices at artificially high levels so that the excess sum could go directly to this group of local businessmen and military generals. Though no generals were ever actually called for questioning, evidence points to their likely incrimination.<sup>137</sup>

Another source of direct incentives extends to the military's consumer corporation. Continuous allegations reporting the sale of expired consumer goods with the military's label raise many questions regarding the responsibility of the distribution of these products.<sup>138</sup> Whether among top-tier military men, lower-ranking officers or even the rank and file, these few incidents point to the existence of networks in which military personnel use their access to resources to make a profit by selling subsidized consumer goods outside the corporation. One case was brought to court and a number of employees were charged with embezzlement and fraud; these employees pleaded that the responsibility lay with higher-up generals who were not brought to justice and that they were simply scapegoats.<sup>139</sup> This testimony may indicate the involvement of military officers who will likely never be charged.

One important source of off-budget economic incentive for the military leadership is the manipulation of lucrative arms deals by exaggerating costs, whereby the surplus amount is pocketed. To demonstrate this tendency, I refer to corrupt deals associated with British arms sales whereby corruption was exposed following Britain's dissolution of the arms contract stipulating the sale of Tornado Jet Fighters to Jordan in 1989. Evidence recorded by Mark Pythian (2000) suggested that the price indicated in the contract for the Tornado was estimated at 35 million pounds while in reality the price was around 22 million pounds.<sup>140</sup> Pythian asserted that the difference has been paid secretly to a number

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والعباس 20% والشناهد 20% وحوادث 20% واسامة 20% الدحلة 20% وهيثم 20% القواسمي 20% يونس 20% تحويل  
فساد 20% بتهمة 20% الاعمال 20% للمدعي 20% والقريوتي 20% والمصري 20%.

<sup>137</sup> Khaled al- Ne'emat, "Al-qisa Al-kamela lelfasad Almahmy... Site Cast-Jordan," *Jefranews*, April 8, 2013, accessed, June 5, 2015. [http://www.jfranews.com.jo/more-59221-1-%7Bclean\\_title%7D](http://www.jfranews.com.jo/more-59221-1-%7Bclean_title%7D).

<sup>138</sup> "Dabt Mawad Ghiza'ya Faseda Tahmel label Al Mu'asasa al A'stehlakya al-'Askarya fe Mostawdaat khasa bel Zarqa," *Snarah.net*, October 1, 2013, accessed June 5, 2015. <http://www.snarah.net/index.php/news/ar/1451-jordan308.html>.

<sup>139</sup> *Ibid.*

<sup>140</sup> Mark Pythian, *The Politics of British Arms Sales Since 1964* (Manchester: Manchester University Press 2000), 30.

of military leaders, in addition to middlemen inside and outside of Jordan.<sup>141</sup> Unfortunately, further information regarding such deals are rarely brought to the public's attention, so it is difficult to fully comprehend the scale of these interactions, let alone identify the actors involved. However, it is enough to shed light on the existence of this pit from which favored military leaders sustain themselves.

### 3.5 Conclusion: An Overall Assessment of Economic Coup-Proofing in Jordan

It is difficult to prove that Kings Hussein and Abdullah rely on the use of on-budget allocations as the major strategy dictating the implementation of the economic coup-proofing process, mainly because of the unavailability of comprehensive information regarding the military's access to off-budget resources. However, the analysis of the distributive channels suggests that the Jordanian Armed forces fully rely on budgetary allocations. This is evident in Hussein's strategy whereby he ensured the military's loyalty by establishing an elaborate welfare system, which granted military personnel and their families exclusive access to state budgetary resources, while at the same time keeping the military from developing productive capacities beyond that of civic engagement. This policy satisfied the tribesmen's desire to dominate state resources by granting them domination over military and public service. It was also especially fitting as he effectively excluded – following black September – the Palestinians and the Jordanians of Palestinian origins from the public sphere and in exchange granted them access to the private sector. Thus, the utilization of indirect on-budget allocation as targeting the in-group became easier as the Palestinian element was drastically reduced to less than 15 percent.

Despite the power of on-budget allocations over the military because of its complete dependence on the king's authority for the receipt of economic incentives, the case of Jordan shows that it can be a double-edged sword owing to the kingdom's inability to earn enough revenue to make up for the increase in living expenses as well as other economic hardships faced by military personnel. Therefore, Abdullah opted for the expansion of the military's productive capacities.

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<sup>141</sup> *Ibid*, 34.



Abdullah relieved part of the problem of military expenditures' eating away at the national budget by attempting to create military-owned revenue-generating enterprises and at the same time opening the door for more targeted incentives through granting favored generals highly prestigious and lucrative managerial positions to restrict the indirect flow of funds from the military institution to tribes in general. He also helped channel private funding into military establishments by endorsing cooperation between the Palestinian-dominated private sector and the military-industrial arm.

This strategy has a potentially stabilizing effect. On the one hand, it helps elevate East Bank dissatisfaction with the deterioration of public sector benefits as it presents an opening into profitable economic engagement. On the other hand, it helps in the reintegration of the out-group (the Jordanians of Palestinian origin), which lacks political influence even though they hold powerful ground in the Jordanian economy.

However, the shift in economic coup-proofing from budget endowments to a military-industrial complex poses a threat to Abdullah's rule in a few ways. One of these is the possibility of enhancing the military's autonomy vis-à-vis the king, even though the military still relies on funds bestowed upon it by the king's sanctioned budgetary allocations. The military's industrial arm has the potential of generating revenues enough to loosen the institution's dependence on the king. It can also create a division within the military, which might, because of tribal affiliations, transcend institutional borders to incite economic and social inequalities between tribes. To explain, the industrial-complex's benefactors are only the military personnel who are directly employed by such enterprises, including a large number of military generals occupying executive positions and other military engineers and unskilled labor, whereas the rest of the military institution (those not receiving privileges from employment in enterprises) continues to rely primarily on the devaluated budget benefits. Aggravating state-tribal relations, the king's apparent preoccupation with the newly-founded industrial arm, coupled with his negligence of the kingdom's historical backbone – the East Bank tribes – could provoke a reaction, which might be supported by military factions excluded from the industrial arm's wealth. Even though it is unlikely that such a rebellion would target the monarchy, it would likely be against Abdullah in favor of his half brother Prince Hamzah.

To conclude, this chapter uses changes in economic coup-proofing to extrapolate a power shift in Jordan. The transition from Hussein's coup-proofing welfare-centered system propped up by budget allocations to Abdullah's wider system of a growing military-industrial complex in which the private sector's money is channeled into the development of military enterprises run by the old guards could indicate the beginning of a new order in which it is no longer the East Bank tribes who form the regime's loyal backbone, but rather a powerful mixed elite consisting of East Bank military generals and Palestinian businessmen who are economically as well as politically wedded to the Hashemite kingdom.

## **Chapter 4: Economic Coup proofing in Syria: The Spoils Model**

To examine how communal military organizational structure affects the implementation of economic coup-proofing tactics, I will trace the development of a distinct in-group of Alawite officers stemming from a long line of communally-guided recruitment, and then focus on the social, political and economic trajectories which lead to the development of a military economy based on personalized spoils. Thus I will show that divide-and-conquer policies enforced during the French mandate period were carried out and reinforced by post-independence rulers leading to the establishment of a minority-dominated structure which gave rise to a complete Alawite domination of the officer corps in the 1990s.

Then I will go on to investigate the implications of the persistent ethnic character of the military institution for economic coup-proofing tactics, arguing that military communality led to Hafiz al-Assad's strategic decision to implement direct personalized economic coup-proofing as the main philosophy guiding the allocation of resources, in an effort to appeal to the chosen in-group within the institution and at the same time make them dependent on his remaining in power. To illustrate my argument, I will show the mechanisms used by the Assad regime to allocate both on- and off-budget economic incentives, and analyze the military-industrial complex by focusing on how an underlying attitude of personalism guides the allocation of incentives as a tool to garner loyalty. Finally, I will examine how the use of direct personalized economic coup-proofing works to create an Alawite privileged-consumption society based on ethnic exclusivism.

### **4.1 The Historical Development of a Communal Military Organizational Structure**

The Syrian military exemplifies the gradual and systematic development of a partially communally-organized military in which the officer corps is minority-dominated and the ruling elite is desperate to economically appease the majority in an effort to form a business alliance to pick up a severely troubled economy.

Syria's first decade as an independent republic (also known as the *First Republic*) was characterized by ethnic, religious and regional diversity. Factionalism was common, such that loyalties to tribal affiliations and local governments superseded any central national allegiance.<sup>142</sup> This was coupled with extreme socioeconomic inequalities, with around three-quarters of the population earning their livelihood from farming. The Syrian feudal system took the classic form in which a small landlord class benefited while the majority peasant class endured great hardship under an oppressive sharecropping system.<sup>143</sup> Moreover, the development of a sense of national identity was difficult, considering the fact that both the political and the ruling elites reflected such inter-communal rivalry and intra-communal allegiances.<sup>144</sup> All of these factors contributed to the emergence of a weak political society that lacked a unified vision,<sup>145</sup> in addition to an elevation in threat level and increased pressure to expand the military because of the war against Israel just four years after Syria gained its independence. This atmosphere of political and social insecurity made the newly independent state fertile ground for the military's emergence as the republic's main nationhood model, the disseminator of civic values, the economic developer and the breeding ground for political leaders.

Drawing on roots in the *Troupes Speciales* (the Special Troops, which were established by the French and later evolved into the Syrian National Army), the Syrian Forces had an established tradition of minority recruitment. The recruitment method in the Special Forces was guided by a rationale of divide and conquer, which assigned membership of the colonial army to a single ethnic group – provided they were politically loyal, economically weak, resided in regional peripheries and were suited to combat.<sup>146</sup>

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<sup>142</sup> Gordon H. Torrey, *Syrian Politics and the Military: 1945-1958* (Columbus: Ohio State Press, 1964), 11.

<sup>143</sup> *Ibid*, 20-21.

<sup>144</sup> *Ibid*, 23.

<sup>145</sup> The Syrian Republic's early years were plagued with an impervious minority complex that Jacques Weulersse described as "a collective and pathological susceptibility which makes each gesture by the neighboring community appear a menace or challenge to one's own community, and which unifies each collectivity in its entirety at the least outrage committed against anyone of its members." See Nikolaos Van Dam, *The Struggle for Power in Syria: Politics and Society Under Assad and The Ba'ath Party* (London: I.B. Tauris & Co, 2011), 4.

<sup>146</sup> The early development of this principle was in Africa under Frederick Lugard, the governor-general of Nigeria. See Kristen Karkness, "The Ethnic Army and The State: Explaining Coup Traps and The Difficulties of Democratization in Africa," *Journal of Conflict Resolution* (2014): 7.

The French found all of these necessary qualities in the Alawite, Kurdish and Druze minorities who respectively constituted 12%, 10% and 5% of the Syrian population.<sup>147</sup>

The French mandate period was a turning point for the modern history of the Syrian military, as their discriminatory recruitment not only sowed the seeds of ethnic domination but also reinforced factionalism in Syria's multi-ethnic society. Aggravating the already existing divisions, ethnic favoritism in military recruitment incited Sunni suspicion of Alawite and other minority groups' collaboration with the French. Feelings of resentment were fed through the continued usage of the Special Troops to put down Sunni rebellions.<sup>148</sup> Another legacy of the French mandate was that minority regions such as the Alawite-majority Latakia region and the Druze-populated Jabal al-Druze, were granted autonomous governance status vis-à-vis the Syrian government.<sup>149</sup> This contributed to blocking the spread of Arab nationalist discourse, leading to further isolation of minorities from political deliberations in the major cities Damascus, Aleppo, Hama and Homs and thus pushing minorities to seek political and social power through military careers.<sup>150</sup>

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<sup>147</sup> The policy was particularly successful in establishing a minority-dominated military as the French found a loyal army and the minorities found the political and economic protection they were hoping for. The French found in these minority communities, the military-discipline they were looking for. This was evidenced through Batatu's (1999) study of Syria's peasantry, which showed that the Alawite and the Druze tribes in particular were historically accustomed to martial training. In addition, the minorities welcomed such favoritism for a number of reasons. A major pull factor was that military membership represented an optimum opportunity for poor peasant minorities to escape the economic domination of the Sunni elites (some hundred Sunni families who owned vast tracks of land, big businesses and organized trade). Another reason why minority groups were enlisting was that gaining influence in powerful government institutions on a national level could increase the chances of acquiring power and respect on a tribal level. Moreover, Sunni landed families; of whom the majority affiliated with nationalist sentiment actually despised the army as a profession and thus refused to send their sons to serve a French-led military. See Hana Batatu, *Syria's Peasantry, The Descendants of its Lesser Rural Notables and Their Politics* (New Jersey: Princeton University Press, 1999), 12-13; Moshe Mo'az, "The Emergence of Modern Syria," In *Syria Under Assad: Domestic Constraints and Regional Risk*, edited by Moshe Mo'az and Avner Yaniv (New York: St. Martin's Press, 1986), 11.

<sup>148</sup> Patrick Seale, *The Struggle for Syria, A Study of Post-war Arab Politics, 1945-1958* (New Haven: Yale University Press, 1987), 37.

<sup>149</sup> Ayse Tekdal Fildis, "Roots of Alawite-Sunni Rivalry in Syria," *Middle East Policy Council* 19, no.2 (2012): 148.

<sup>150</sup> *Ibid*, 150. Alawites were pushed further into military careers in the post-independence period on account of their diminishing status in other political institutions. For example, Alawite seats in parliament and their independent courts system were abolished as part of a policy wave aiming at enforcing a common Syrian citizenship.

By the end of the mandate, several infantry battalions were composed entirely of Alawites, whereas not a single battalion was formed completely of Sunni Arabs.<sup>151</sup> The institutionalization of ethnic favoritism continued after Syria gained its independence, particularly following the Ba'ath party takeover. In the 19 years from 1944 to 1963, the Alawites moved from being corporals, sergeants and junior officers to being leading members of the military committee (Salah Jadid, Hafiz al-Assad and Mohamed Umran) who effectively ran the country, paving the way for complete Alawite domination of the officer corps under Hafiz al-Assad. This expansion of the military's communal organizational structure progressed through various policies that eventually guaranteed ideology, loyalty, class and ethnicity as determining criteria for the admission of officers and non-commissioned officers (NCOs) into the military.<sup>152</sup> In the 1950s, compulsory military service was implemented, dictating general conscription for all eligible males upon reaching the age of 19.<sup>153</sup> This meant that though the number of Sunni conscripts increased, the ethnic character of the elite corps remained the same as a large number of officers from the pre-independence army were promoted from major to lieutenant and from lieutenant to general.<sup>154</sup> This indirectly reinforced the trend to increase the numbers of Alawite officers, since once they reached the top brass, they brought in relatives and others from their sectarian, regional and tribal communities, helping them to advance by favoring their applications to the army, navy and air force academies.<sup>155</sup> This policy resulted in roughly 65 percent of the NCOs belonging to the Alawi sect, as the then chief of the intelligence Bureau, Colonel Abdel al-Hamid Sarraj, discovered in 1955.<sup>156</sup>

The communal character of the military was further enhanced with the Ba'athist coup of 1963, also known as the 8<sup>th</sup> of March revolution, in which a coalition of Ba'athist, Nasserist and independent Unionists took over, consolidating their power by purging around 700 officers. Naturally, Alawite officers filled these positions, not

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<sup>151</sup> *Ibid*, 151.

<sup>152</sup> Radwan Ziaheh, *Power and Policy in Syria: Intelligence Services, Foreign Relations and Democracy in The Modern Middle East* (London: I.B. Tauris, 2011), 13.

<sup>153</sup> The Syrian Arab Republic's Constitution (1950), Article 30. The defense of the nation and the constitution is a sacred duty bestowed upon all citizens. General conscription is thus enforced as stated and organized by the law.

<sup>154</sup> Torry, *Syrian Politics*, 149.

<sup>155</sup> Van Dam, *The Struggle for Power in Syria*, 28.

<sup>156</sup> *Ibid*, 29.

surprising since at the time of the coup, five out of fifteen members of the Military Committee were Alawite. They called upon reserve officers and NCOs with whom they shared family, tribal or regional ties to ensure their loyalty. One common practice from 1965 to 1966, described by Dr. Munif al-Razzaz, Secretary General of the National Command of the Arab Socialist Ba'ath Party, was discrimination against Sunni officer applicants to the Military Academy and other military training centers. Transfers within the military were also governed by ethnic and religious ties, such that officers who were trusted - mainly Alawite - were entrusted with politically and strategically critical army units, whereas undesirable officers - mostly Sunni - were transferred to politically less sensitive posts like the Syria-Israeli Front or other locations away from the capital.<sup>157</sup>

This contributed to the emergence of an unofficial collation rule whereby whole units would be stacked with Alawites while having a Sunni leader. This meant that the authority of Sunni commanders - no matter how many they were - was under continuous scrutiny as a result of the possibility that Alawi officers from other units might instruct their co-religionists to refuse orders.<sup>158</sup> In order to consolidate their hold on the military institution in particular and Syria in general, the Alawite leaders later purged their most prominent Nasserist and Independent Unionist military men, who all happened to be Sunnis.<sup>159</sup> This reinforced the Syrian military's communal structure, which came to be as high as 90 percent of senior officers in the 1990s.<sup>160</sup>

Upon coming to power through the coup of 1970 (the so-called Corrective Movement), Hafiz al-Assad intensified the ethnocentric recruitment policy, which enhanced Alawite dominance of the officer corps. The leadership clique or *Jama'a* were tied to him on the basis of primarily tribal or communal ties (recruiting members of his tribe, the Kalbiyya and his sect, the Alawites), enhanced by a policy of recruitment along bloodlines and marriage.<sup>161</sup> This policy continued to such an extent that by 2011, around 90% of army commanders were Alawites.<sup>162</sup> In other words, each Alawite family had at

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<sup>157</sup> Van Dam, *The Struggle for Power in Syria*, 36.

<sup>158</sup> *Ibid*, 37.

<sup>159</sup> *Ibid*, 30-31.

<sup>160</sup> Eyal Zisser, *Commanding Syria: Bashar Al-Assad and The First Years in Power* (London: I.B. Tauris & Co Ltd, 2006), 9.

<sup>161</sup> Zisser, *Commanding Syria*, 62-63.

<sup>162</sup> Bou Nassif, "Generals and Autocrats," 175-185.

least one member in the military, which by default chains the whole sect to the rules of both Hafiz al-Assad and his son Bashar.<sup>163</sup>

Combating coup risk by buying military loyalty, Hafiz al-Assad (and later his heir) devised a number of economic coup-proofing processes with the aim of controlling the military's economic access to wealth - necessary given the Syrian military's history as protector, planner and premier manager of economic development. Paradoxically, depriving military officers of resources can persuade them to take back the driver's seat, especially in Syria, where the majority of political leaders came to power through coups d'état. The real challenge faced by Hafiz was thus to distribute just enough wealth to the desired people to tie them to his rule without empowering them. The military's communal nature meant that the desired factions were the Alawite officers, and so the Assad regime implemented a *statist spoils* form of economic coup-proofing. *Statist spoils* means that the benefits followed a logic of personalism; to a large extent the nature of the benefits were illegal to maximize the officer corps' dependence on the regime.

The following sections show how this particular application of economic coup proofing works in its on-budget and the off-budget forms.

## 4.2 On-budget Incentives

Pinpointing the main causes of the fluctuations of budgetary military expenditures is challenging, since while many scholars use external and internal threat levels as explanations, others find this overly reductionist. Some of the factors that may have led to elevations in military expenditures include securing military aid (Russia and the Gulf), and the discovery and the sale of natural resources such as oil, while factors causing drops in military expenditures may include economic crises and budget cuts. This section will not attempt to analyze the causes of ups and downs in military expenditures, but instead will shed light on the role of military communality in influencing the technique and the direction of money allocation. I will address on-budget incentives by first examining the legal frameworks which determine how the Assad regime controls budgetary allocations (primarily using constitutional texts). Since Assad is of the same

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<sup>163</sup> Joshua Landis, "Syrian Uprising of 2011: Why the Assad Regime is Likely to Survive to 2013?," *Middle East Policy Council* 19, no.1 (2012): 2.



ethnicity as the military leadership, I expect to find the budget directed less at achieving institutional goals (arms purchases, for example) than at personnel expenses. Secondly, following Huntington's rationale of "give them toys", this section attempts to analyze the distribution of arms purchases. Here it is not so much the question of "how much?" but "who gets what?" which I will answer, by analyzing the economic privileges given to majority Alawite divisions compared to other ethnically diverse divisions.

#### 4.2.1 Budgetary Control in the Constitution

Since Assad took power, Syria has seen two constitutions, only one of which is within the timeframe of this study.<sup>164</sup> The 1973 constitution lacked a provision on the military budget, but referred to three bodies that have authority over the general budget. Article 127 dictated that the Council of Ministers has the duty of "drawing up the government's general budget bill to be approved by the People's Assembly, as was clearly stated in article 71. Section 103."<sup>165</sup> The third entity was Assad himself, by virtue of the president's powers; according to article 105, "The President of the Republic is the supreme commander of the army and the armed forces. He is to issue the decisions and orders necessary for the exercise of this power."<sup>166</sup> Budgetary management was under his control and neither the military institution nor civilian institutions had a decisive say. This legal arrangement allows Assad's great capacity to effectively utilize the budget as a tool of economic coup-proofing, especially in the absence of a checks-and-balances system.

#### 4.2.2 Military Expenditures: An Analysis Over-time

This section analyzes military expenditures in two ways. The first analysis gives an estimate of the annual operational and the maintenance (O&M) costs needed to sustain the Syrian military's various units in relation to annual military expenditures. This is necessary in order to differentiate between extra money spent on the personnel's loyalty

<sup>164</sup> The other constitution came into effect in 2012.

<sup>165</sup> "Arab Syrian Republic Constitution, 1973," Corpus of Laws Website, last modified October 26, 2013, accessed May 15, 2015, <http://corpus.learningpartnership.org/constitution-of-syria-1973-1-basic-principles>.

<sup>166</sup> *Ibid.*

and the expenditures required to uphold the military's vast equipment - showing the extent to which on-budget expenditures were used as a tool of economic coup-proofing. The second analysis, to demonstrate the particular advantage of Alawite units, examines ethnic favoritism in distribution of privileges, paying special attention to what Richard Bennet (2000) has labeled the 'praetorian guards' - including the Republican Guards, the Special Forces and the Third and Fourth Armored Divisions.<sup>167</sup> With these two analyses I hope to provide a balanced perspective on military expenditures as an indicator of economic coup-proofing in Syria.

Shawn Pine's (2000) exploration of Syria's defense expenditures uses costs calculated by the U.S Army and adapted to the Syrian military in an attempt to estimate the expenditures necessary to maintain the institution. The estimated annual costs of maintaining an armored division (excluding personnel costs) were around \$146 million and the costs for maintaining a mechanized division about \$140 million per year. In addition, Pine estimates the worth of an infantry division at \$204 million, an airborne division at \$750 million and an artillery brigade at around \$15 million a year.<sup>168</sup> Since 1985, the Syrian Army has been divided into three Corps. The 1<sup>st</sup> Corps consists of four armored divisions and a Mechanized Division; the 2<sup>nd</sup> Corps of three armored divisions and two mechanized, and the 3<sup>rd</sup> Corps of a reserve armored division in addition to the Coastal Defense Brigade. The military security forces also include the Republican Guards (RG) and the Special Forces.<sup>169</sup> According to Pine, the annual costs for maintaining the army's three Corps alone amount to \$1589.3 million, excluding personnel expenses. In addition, \$140.341 million were allocated to the Republican Guard and another \$230.08 million for the reserve infantry division and its ten airborne Special Forces.<sup>170</sup> Moreover, Pine estimates an aggregate sum for the Air Force and Air Defense forces at \$2472.45 million a year excluding personnel costs. Finally, he estimates the annual O&M costs for Navy at around \$75 million. This gives a total of \$4507.17 million a year, excluding

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<sup>167</sup> Richard Bennet, "Syria's Praetorian Guards: A Primer," *Middle East Intelligence Bulletin* 2, no.7 (2000).

<sup>168</sup> Shawn Pine, "Preparing for Peace? Syrian Defense Expenditures and its Drive for Regional Hegemony," In *Peace with Syria: No Margin for Error*, edited by Yoush Tsiddon-Chatto, Mordechai Nisan and Dany Shoham, 35- 48 (Tel Aviv: ACPR Publishers, 2000), 36.

<sup>169</sup> Richard Bennet, "The Syrian Military: A Premier," *Middle East Intelligence Bulletin* 3, no. 8 (2001).

<sup>170</sup> Pine, "Preparing for Peace?," 37-39.

personnel and aside from the consideration of Syria's chemical weapons program and military intelligence network. The report concludes that the expenditures most probably lie between 3 and 5 billion dollars.<sup>171</sup> With an estimated budget of 1.8 billion dollars in 2000, barely covering the costs of upholding the equipment alone, there is little evidence that personnel costs could have been particularly handsome – strengthening the argument that officers' main source of livelihood is their membership of off-budget networks.

Nonetheless, the ethnic character of the Syrian military allowed for some units to receive more loyalty-enhancing expenditures. According to a number of studies of the privileged position of the praetorian guards vis-à-vis other units, these select units are favored in terms of quality of personnel, structure, training and equipment. Studies by Bennet (2001) and Joseph Holliday (2013) found a pattern through which Alawite majority units were set apart from other units, one reason being that ordinary units consist of conscripts while privileged units are made up of mainly career soldiers and elite officers, even though at first glance the units' arrangement resembled other units.<sup>172</sup> A deeper look at the 1<sup>st</sup> Armored Division shows that it contains three armored brigades and one mechanized brigade with each armored brigade made up of three armored battalions and one mechanized battalion; each mechanized brigade includes three mechanized battalions and one armored battalion.<sup>173</sup> By contrast, units like the 4<sup>th</sup> Armored Division, the 3<sup>rd</sup> Armored Division, the Republican Guards and the Special Security forces are actually structurally superior, being made up of the previously outlined structure in addition to a Special Forces regiment, making them larger than most other units.<sup>174</sup> Moreover, they have the upper hand as they are constantly maintained at full strength, making them much better in terms of the personnel's training level as well as the unit's readiness for combat. One can also argue that ethnically pure units (either fully Alawite or with Alawites in all officer positions) receive better equipment than other units. Based on a number of interviews conducted by Anthony Tucker-Jones (2011), the last major arms deliveries happened around a decade and a half ago, including 350 T-72 tanks, 50

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<sup>171</sup> *Ibid*, 41-43.

<sup>172</sup> *Ibid*.

<sup>173</sup> Human Rights Watch, *By All Means Necessary, Individual and Command Responsibility for Crimes Against Humanity in Syria* (Human Rights Watch, 2011), available at: [http://www.hrw.org/sites/default/files/reports/syria1211webwcover\\_0.pdf](http://www.hrw.org/sites/default/files/reports/syria1211webwcover_0.pdf).

<sup>174</sup> *Ibid*, 7.

MiG-29 fighters, 250 T-72s and 150 Scud C missiles.<sup>175</sup> The possession of such equipment was reflected with ethnically diverse units. However, evidence showed that elite units such as the Republican Guard received the latest equipment through minor deliveries from Russia.<sup>176</sup>

### 4.3 The Syrian Military's Business Activities

A key component of economic incentives is the military's presence in the formal economy. This is made evident by the drastic deterioration of Syrian military's role in the formal economy during Hafiz al-Assad's rule, as a result of its fostering of institutional interests instead of personal ones.

In the early years of his reign, Hafiz al-Assad eroded the Ba'ath system in which the military played the leading economic and political role, establishing in its place a personalist regime in which he dominated both the military and the state apparatus. This led to the deterioration of their previous role as an economic actor, enhanced during the union with Egypt (1958-1961), going from being the main economic actor in control of around 67 percent of the economy to a marginalized entity that only began to regain a fraction of its hold on the economy through the slow but steady development of military enterprises in the mid-1970s.<sup>177</sup> In order to put in context the magnitude of Assad's economic policy and its effect on the military's business role, it is necessary to first identify the "winners" and the "losers" of the state socialist system in place before he came to power. Upon the union with Egypt in 1958, the Syrian economy was restructured to accommodate the establishment of a full-fledged statist economy. From 1958 to 1971, economic policies followed rationales of state-ownership and wealth redistribution. The main losers under such policies were the large merchant class, the landowning elites and

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<sup>175</sup> Anthony Tucker-Jones, "Syria's Army Holds the key to Assad Regime's Future," *Channel 4 News*, June 13, 2011, accessed, May 5, 2015. <http://www.channel4.com/news/syrias-army-holds-the-key-to-assad-regimes-future>.

<sup>176</sup> *Ibid.*

<sup>177</sup> According to a study conducted by the American University in Washington D.C., industry, trade and commerce, construction, transportation and communication; and banking and insurance accounted for 15%, 16%, 4%, 6% and 26% respectively of the GNP of Syria in 1965. See American University, *U.S. Army Area Handbook for Syria* (Washington D.C.: Foreign Areas Studies Division and The Department of the Army, 1965), 235-236.

the big industrialists, the majority of whom were large Sunni families.<sup>178</sup> In the course of thirteen years, all of the domestic industrial enterprises were either partially or completely owned by the state. Extractive industries and vital manufacturing – including electric power, communications and transportation – were placed under complete state control. In theory, smaller industries, handicrafts and domestic trade were to be governed through a system of mixed public and private ownership; in practice, however, the government controlled all supply sources as well as means of transportation, which meant that they too were effectively managed by the state. The banking system was also subject to complete government ownership. The inflated public industrial sector was administered by two main bodies, the Ministry of Economic Affairs and the Socialist's Industrial Sector Administration; both answered directly to the National Council of Revolutionary Command (NCRC), a twenty-one-man council dominated by military officers and entrusted to rule Syria following the 1963 coup.<sup>179</sup> The council of revolutionary command was also responsible for the hiring and firing of the boards of directors for all enterprises under the state's control.

The winners of this period of Syrian history were undoubtedly the military institution. This was particularly evident in the fact that following the 1963 coup, civil service rules were changed to accommodate the reality of army officers' attachment to ministries and other civil establishments. The amendment equated civil service grades and salaries with military ranks, which established as well as reinforced existing patterns whereby army officers occupied key positions in civil capacities.<sup>180</sup> Landowning elites were devastated as the government undertook a number of agrarian reforms limiting and in some cases even restricting ownership of both irrigated and non-irrigated land.<sup>181</sup> It is

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<sup>178</sup> Some of these families lost the majority if not all of their economic influence as a result of the fact that nationalization laws provided that former owners or stockholders were not to be reimbursed with more than the equivalent of \$4,000 a year irrespective of the actual value of their enterprises. See American University, *U.S. Army Area Handbook for Syria*, 280.

<sup>179</sup> *Ibid*, 281.

<sup>180</sup> *Ibid*, 184.

<sup>181</sup> Laws of limited ownership ranged between 800 dunams of irrigated land and 3000 unirrigated land in 1958 to a more lenient law in 1963 which stipulated that landownership could be no more than 150 to 500 dunams of irrigated and 800 to 2000 dunams of unirrigated land. Distribution on peasants providing that each peasant owned no more than 8 dunams of irrigated land or 300 dunams of unirrigated land in exchange for the payment of one-quarter of the land's value over twenty years

clear that the winners were the military institution that enjoyed not only the power and wealth generated from a state-managed economy, but also the economic and social prowess that came along with it. In contrast, the traditional Sunni elites lost their economic base and as a result held deep and strong resentment for the newly established elite consisting mainly of Alawite military officers.<sup>182</sup>

The transition was relatively smooth as Assad employed a strategy whereby he shut out the military from day-to-day political affairs, at the same time granting the ministry of defense an institutionalized form of economic incentives, thus giving the military institution a limited role in the Syrian economy. The military's ability to leverage its way into recapturing a slim portion of its economic empire translated into the issuance of a number of laws that founded the military institution's independent ownership of a number of economic enterprises. These organizations included the Medical Industries Organization, the Military Housing Organization, the Military Social Organization and other organizations dealing with the manufacture of batteries, bottled mineral water, and furniture.<sup>183</sup> Among these enterprises were two of the largest construction companies in the country, *M'assasat al-Iskan al-'Askari* (Milihouse) and the Constructions Organization (MATA).<sup>184</sup> Though it is difficult, because of lack of data, to generate the total market percentage share that these enterprises occupied, it is possible to track a considerable amount of their activities and arrive at an estimate of their embeddedness in the economy. Milihouse, for example, was highly active in civilian construction projects; their activities included the construction of the Athlete city in *Alaziqia*, sporting clubs in Aleppo and other Syrian cities, the Assad Library and the National Theatre in Damascus. The organization's hold on the construction market also extended to other sectors including agriculture and farming where they were responsible for erecting large national projects like *Sad al-Thawra* (Revolution Dam), *Sad al-Sades A'shar men teshreen* (The Sixteenth of November Dam) and many other irrigation and desert development projects that stretched all over the country.

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<sup>182</sup> Mo'az, "The Emerge of Modern Syria," 21.

<sup>183</sup> A. Richards and J. Waterbury, *A Political Economy of the Middle East: State, Class and Economic Development* (Boulder: Westview Press, 1990), 341.

<sup>184</sup> These organizations were established during the period between 1972 and 1975, as part of an initiative by Assad to institutionalize incentives through establishing military-owned organizations.

The military owned large livestock farms, which allowed them to penetrate food production markets. Also, they monopolized the construction and the management of factories in the cement, steel, ceramics and asbestos industries (as a result of laws restricting the importation of these materials), which allowed them to control the development of the private sector.<sup>185</sup> What is more, they were deeply involved in the importation of heavy machinery and the spare parts trade, areas in which they were particularly privileged on account of the ministry's exemption from the payment of tariffs and taxes.<sup>186</sup> They were particularly skilled in buying large amounts of government-owned land at unrealistically low rates (as a result of their privileged position) and then reselling them to the public at a profit. They also maintained a strong hold on the housing sector, such that they undertook large projects all over the country consisting of hundreds of houses; this included affordable housing.<sup>187</sup> In this respect the military had an esteemed place in the formal economy, owning and running giant enterprises, which allowed officers to accumulate wealth in a legally sanctioned manner.

However, this honeymoon period did not last long, owing to the Sunni hostility against the state in the early 1980s, which grew with consecutive military attacks on the Muslim Brotherhood in March, April, June and July 1980, culminating in a full-fledged massacre in Hama in 1982.<sup>188</sup> Coupled with the increased resentment towards the military that in the eyes of many was the Alawite shield, this potentially destabilizing situation called for an immediate policy of pacification and appeasement of the Sunni elites.<sup>189</sup> The Sunni elites had been economically excluded by harsh Ba'athist economic policies, and so a novel strategy of cooptation was an inspired way of forming an Alawi-Sunni coalition. This led to a reversal of the strategy of empowering the military as owner and manager of productive business enterprises, changing its role into one governed by a

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<sup>185</sup> "Qanun al- Sharikat al- Qitaa al-A'am al- Insha'I wa al- makaeel al- Mokhtalifa," *Star Times*, January 2005, accessed May 3, <http://www.startimes.com/?t=27155648>.

<sup>186</sup> "Qanun al- Sharikat al- Qitaa al-A'am," *Star Times*, April 23, 1990, accessed, May 5, 2015

<sup>187</sup> *Ibid.*

<sup>188</sup> "The Al-Assad's Syria: A History of Violence," *Asharq Al-Awsat*, March 17, 2012, accessed May 5, 2015.

<sup>189</sup> Ethnic tension was at the heart of this period as evidenced by the attacks of June 1979, in which fifty Alawite cadets were shot at the military academy in Aleppo. See Thomas Collelo, "Syria, Country Study," Federal Research Division Library of Congress, Area Handbook Series, 1988): 1-334, 45.

logic of personalized illegal incentives determined by the ties that specific officers have with Assad, as opposed to a privileged position occupied by the military institution as a whole. Assad's need for political and economic stability led him to adopt a policy of greater openness also known as *Infiraj*.<sup>190</sup> This policy resulted in the gradual integration of a handful of Sunni economic elites, primarily in Damascus.<sup>191</sup> These included a number of large families like those of *Sai'b Nahhas*, *Uthman al-Aidi* and *Abd al-Rahman al-Attar*, who were able to regain some of the business influence they had lost.<sup>192</sup>

To illustrate the effect of Assad's change of economic coup-proofing strategy on diminishing the entrepreneurial role of the military, I will again refer to the Milihouse as representative of the miserable destiny experienced by military enterprises and how they were transformed into yet another venue for Assad to channel through direct personalized spoils. After having occupied a large share of the construction market (evident from the density of its activities), *M'assasat al-Iskan al-'Askari* was left high and dry, with economic privileges shifting hands from the military institution to the Assad's new clique of Sunni-Alawi businessmen. The organization couldn't survive the strong winds of the economic hardships and the appreciation of the US dollar in the second half of the 1980s.<sup>193</sup> Instead of bailing out the military's vital asset, the Assad administration watched the situation develop into a sort of tomb raid, in which royal military officers took turns reaping their rewards by feeding off the carcasses of the once-flourishing organization. Of the five different military generals, the five different general managers

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<sup>190</sup> Patrick Clawson, "Unaffordable Ambitions: Syria's Military Build-Up and Economic Crises," *Policy Paper* (Washington D.C.: The Washington Institute for Near East Policy, 1989), 20. See also Volker Perthes, *The Political Economy of Syria Under Assad* (New York: I.B. Tauris, 1995), 53.

<sup>191</sup> George Haddad, "The Syrian Regime's Business Backbone," *Middle East Report*, no. 262 (2012), 26-27.

<sup>192</sup> Zisser, *Commanding Syria*, 47-48.

<sup>193</sup> As a result of Assad's new economic strategy, the private sector that was mainly held by Assad's Sunni-Alawi business alliance gained more economic privileges previously enjoyed by the public sector and military enterprises. These included being allowed to import on behalf of the Public Sector facilitated by the loosening of foreign exchange controls; consolidated by the 1983 law dictating that private manufacturers got to keep 50% of their hard currency. In addition to new credit facilities. Also the importation of construction materials and heavy machinery was no longer the military enterprises' specialty as the private sector was allowed to import machinery and intermediate goods. See for more detail Perthes, *The Political Economy of Syria*, 51-52.



in less than five years, each one came with a clear agenda: to sell a factory or a piece of land and earn a handsome sum.

Personalism and profiteering guided the dissemination of incentives at the enterprises, as favored Alawite members of the officer corps would gain influential positions in top management where they could accumulate wealth. One of these famous military generals was Saleem Altoun from Latakia who was rewarded by becoming the head of imports and collected enough capital to start a giant enterprise called “Zeina and Altoun Trading companies” with his son Shaker as the official owner.<sup>194</sup> It continued running even when hundreds of workers lost their jobs (the number of employees fell from 70,000 in the 1970s to 46,000 persons in the late 1980s) or were left unpaid for months. Like many other military-owned enterprises, they became empty shells to cover a consolidated system of personalized illegal rewards.<sup>195</sup> One example of this practice included the surplus of cars bought through the enterprise’s purchasing office and labeled as necessary equipment, while in reality they were being distributed to loyal officers. Others include the distribution of affordable housing estates (earmarked for low-income groups) to senior and junior officers who did not need such government assistance.<sup>196</sup>

#### 4.4 Off-budget Economic Incentives

In examining the deterioration of productive military activities, this section presents an overview of the main off-budget sources of economic incentives that were systematically as well as sustainably implemented throughout the reigns of the Assads. I hope here to qualitatively demonstrate that the ethnic character of the Syrian military contributed to off-budget incentives outweighing the legal rewards as a result of the wide-spread networks that feed off illicit activities - networks that became attached to military careers.

Despite the military’s declining role in the formal economy, military officers were able to carve out an economic role for themselves. Using the clout of their profession,

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<sup>194</sup> "Syria- Corruption and Government Transparency," *Globalsecurity.org*, 2010, May 19, 2015.

<sup>195</sup> Perthes, *The Political Economy of Syria*, 147.

<sup>196</sup> Gamal Al-Din Abdo, “Bribery in the Milihouse,” *Kassioun Newspaper*, October 6, 2013, accessed May 13, 2015, <http://kassioun.org/economy-and-society/item/3008-2013-10-07-07-59-33/3008-2013-10-07-07-59-33>.

officers served as “business protectors.”<sup>197</sup> Prior to liberalization, ‘protection’ entailed blocking the regime’s wrath as well as providing security against policy instabilities. However, a wave of liberalization in the 1990s gave rise to a novel investment law which provided a fragile framework for business owners, so that owners no longer required the form of protection offered in the 1980s. However, influential officers were quickly able to devise a new form of protection based on fending off competition, utilizing their power networks to endorse and facilitate business deals, thus keeping their share of the pie. A famous example of such a practice was Jamil al-Asad, Hafiz al-Assad’s younger brother and the commander of a division in the Defense Companies (*Saraya al-Difaa*). In the mid-1980s he started utilizing his position in customs at the port of Tartus to facilitate the import and export of goods. Over time, he came to be viewed as the main business protector in Azarquia and Tartus; he left behind around five billion dollars at his death.<sup>198</sup>

Other means of appropriating a share of the formal economy included the “Military-Merchant complex.”<sup>199</sup> This form of economic activity manifested in various arrangements. In one, military officers conducted agreements with private companies such that private owners represented the public face of the companies while the real beneficiaries were military men.<sup>200</sup> In another, military officers made deals with their children in which the children played the role of business owners while the fathers took up the role of business protectors. The same practice was replicated in Lebanon, where influential Syrian officers earned a big share of business revenues, either by entering into secret partnerships with Lebanese businessmen or having local owners front for them.<sup>201</sup> Such practices involved officers stationed inside and outside Syria. Examples included telecommunication establishments like *Liban Cell* and *Cellis*. Supposedly, Ali and Nizar Dalloul, two sons of a former Lebanese defense minister, owned 86 percent of Liban

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<sup>197</sup> Bassam Haddad, *The Economic Price of Regime Security: Mistrust, State-Business Networks and Economic Stagnation in Syria, 1986-2000* (PhD Dissertation, Georgetown University, 2002): 225. For more details on earlier developments of the Syrian business community see Bassam Haddad, “Change and Stasis in Syria: One Step forward,” *Middle East Report*, no. 213 (1999): 23-27.

<sup>198</sup> “*Fasad Aal al-Hakem, Mafia Surya al-Haditha*,” *Wikileaks*, September 23, 2012, accessed May 10, 2015, [https://wikileaks.org/syria-files/docs/637617\\_-3-.html](https://wikileaks.org/syria-files/docs/637617_-3-.html).

<sup>199</sup> O. Mora and Wiktorowicz, “Economic Reform and the Military,” 113.

<sup>200</sup> Gary C. Gambill, “Syria after Lebanon: Hooked on Lebanon,” *The Middle East Quarterly* 4, no. 12 (2005): 36

<sup>201</sup> *Ibid*, 38.

Cell, but it was common knowledge that they were fronting for Syrian vice-president Abdul Halim Khaddam and former Syrian chief of staff Hikmat Shihabi.<sup>202</sup>

Other off-budget self-enrichment opportunities available for officers included illegal currency dealings like counterfeiting and money-laundering. Within Syria, currency dealings catered to ordinary citizens who hoped to preserve their capital by handing it over to quasi-private bankers known as money-changers. They offered high interest rates to depositors, sometimes as high as 20%.<sup>203</sup> Officers were eligible to take part in such illegal transactions because they had the ability by virtue of border-control to smuggle money outside the country or set up offshore accounts. This also extended to a highly profitable business in foreign currency dealings. The Syrian presence in Lebanon was particularly useful for the officers' heavy involvement in the business of forging and distributing US dollars as well as European currencies. One U.S. intelligence report estimated the Syrian officers' share of the forging trade at around one billion dollars in 1995, and they predicted that they must have been earning just as much on an annual basis since Syria's total control of Lebanon in 1990, and an estimated \$500 million in 1987.<sup>204</sup> Money laundering was a particularly important source of income for officers, who took advantage of the Lebanese banking secrecy law of 1956 (which remains in effect today): "All banks operating in Lebanon, whether Lebanese or branches of foreign banks are prohibited from revealing any information concerning the names of clients, their funds and related matters to any person or authorities."<sup>205</sup> Syrian officers laundered billions of dollars from other illicit activities. Some of the most scandalous money-laundering incriminations of top Syrian generals involved two Lebanese-based banks, the al-Madina Bank and the Central Bank. In 2003, the two banks discovered huge cash

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<sup>202</sup> Reinoud Leenders, *Spoils of Truce: Corruption and State-building in Postwar Lebanon* (Ithaca: Cornell UP, 2012), 155.

<sup>203</sup> Zisser, "Commanding Syria," 104.

<sup>204</sup> Gambill, "Syria after Lebanon," 35-42.

<sup>205</sup> Osama Habib, "Banking Secrecy to Remain Despite FATCA," *The Daily Star*, December 6, 2014, accessed May 7, 2015, <http://www.dailystar.com.lb/Business/Local/2014/Dec-06/280075-banking-secrecy-to-remain-despite-fatca.ashx>. For more detail on privacy banking laws in Lebanon see "Main Banking and Financial Regulations," *Association of Banks in Lebanon*, last modified September 5, 2014, accessed May 7, 2015, <http://www.abl.org.lb/subPage.aspx?pageid=362>.

deficits accounting to around 250 million Euros. Other reports put forward an aggregate amount of up to 1 billion Euros of laundered money in this case alone.<sup>206</sup>

Another set of economic opportunities for officers was the highly lucrative smuggling trade particularly across the Lebanese borders and Cyprus. Favored Alawite generals were rewarded by being handed customs posts where they could control the influx of consumer goods. This enabled individual members of the officer corps to establish elaborate smuggling channels through which they were able to accumulate wealth and power.<sup>207</sup> Two famous Alawites who benefited from such channels were General Ghazi Kan'an, who served for twenty years as the head of Syrian Intelligence in Lebanon, and General Shafiq Fayyad, the commander of the 3<sup>rd</sup> Armored Division. Another prominent example of incentives being given to Alawite loyalists was the heavy involvement of the 569<sup>th</sup> Army Division, which was 80 percent Alawite during its establishment as apart of the Defense Companies under Rifaat al-Asad and later evolved into the 100 percent Alawite 4<sup>th</sup> Armored division of the Republican Guard. Although other divisions were stationed in Lebanon, the 569<sup>th</sup> Armoured Division was particularly known for using its vehicles to transport drugs and luxury cars across borders.<sup>208</sup> These examples support the argument that direct patronage was given disproportionately to Alawite members. The intensity of Alawite officers' involvement illustrates their access to huge amounts of wealth.

Observers said that smuggled consumer goods constituted 30 to 35% of all Syria's reported imports.<sup>209</sup> As early as 1987, the Wall Street Journal estimated Syria's drug trade revenue at \$500 million.<sup>210</sup> By 1990, heroin trade in Lebanon alone was estimated at US\$1.4 billion per year.<sup>211</sup> Though it is difficult to pinpoint the percentage that reached the officers' pockets, one can easily assume that it must have been from 25 to 30 percent

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<sup>206</sup> Naharnet Newsdesk, "Beirut First Investigative Judge Wraps Up Probe in al-Madina Bank Case," *Naharnet*, June 13, 2013, accessed May 7, 2015, <http://www.naharnet.com/stories/en/86784>.

<sup>207</sup> Mora and Wiktorowicz, "Economic Reform and the Military," 110.

<sup>208</sup> Elizabeth A. Kennedy, "In Unending Turmoil, Syria's Assad Turns To Family," *The Guardian*, June 16, 2010, accessed May 7, 2015, <http://www.theguardian.com/world/feedarticle/9698747>.

<sup>209</sup> Clawson, *Unaffordable Ambitions*, 35.

<sup>210</sup> Alvin Cantrell, *Drugs and Terror: A Threat To U.S. National Security* (Carlisle: U.S. Army War College, 1992), 17.

<sup>211</sup> *Ibid*, 20.

since Syrian officers played roles of protectors, facilitators, cultivators and distributors. In 1992, the CIA and the DEA (Drug Enforcement Agency) estimated the Syrian military's profits from drug production and smuggling in Lebanon at between \$300 million and \$1 billion.<sup>212</sup> The report also affirmed that "most individual Syrian officers and troops directly profit from the drug trade...Without Syrian military participation, the present system of growing, producing and transporting drugs in Lebanon today would simply collapse."<sup>213</sup>

#### 4.5 Legal versus Illegal Incentives

Though it is difficult to prove that the Assad regime favored the use of off-budget illegal incentives as a major part of the economic coup-proofing process, analysis of the apparent disproportional engagement of the military's activities in on-budget and off-budget categories gives credence to this argument. Using qualitative tools and tracing the activities of Syrian military's role in the formal economy in the periods before and during the Assad rule, I found a great discrepancy indicating a deterioration in the size of the institutions' share of the formal economy. In the 1950s and 1960s, the military's legal economy played a major role in most economic sectors. However, from the 1970s onwards, this role gradually diminished and in the 1980s the institution's economic enterprises had lost their vigor and started to disintegrate into individuals trying to secure personal interests at the expense of the military-industrial complex. With the enhancement of direct patronage within the military's economic organizations, the officers' personal interests became more salient as they expanded to carve out economic benefits in an off-budget illegal manner, leading to a business model based on secret partnerships and spoils. Whether the cause was the military's sense of entitlement or Assad's encouragement, the observable result was the deep engagement of military personnel in lucrative illegal activities to which Assad repeatedly turned a blind eye.

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<sup>212</sup> U.S. House of Representatives, Subcommittee Staff Report, House Judiciary Committee's Subcommittee on Crime and Criminal Justice, *Syria, President Bush, and Drugs—The Administration's Next Iraq Gate*, by, Charles E. Schumer, October 28, 1992.

<sup>213</sup> Gambill, "Syria After Lebanon," 35- 42.

Another level of the analysis lends insight into Assad's use of the flexible nature of such benefits to steer them towards the Alawite factions. Though there is a lack of comprehensive evidence showing direct orders from Assad to bestow personalized benefits disproportionately on Alawite officers, his placement of certain Alawite leaders and Alawite units in strategic positions where they are able to generate wealth is surely evidence enough. Because of the challenges associated quantifying off-budget incentives, this chapter does not make any claims regarding the size of the military's off-budget economy; however, a careful consideration of estimates by reliable organizations, as well as of the entrenchment and the expansion of military officers' role in illegal activities - especially that revenues from each field accounts for no less than \$300 million a year by way of comparison to an average expenditure of around \$2 billion -, inevitably leads to the conclusion that off-budget incentives outweigh legal on-budget incentives and that the military economy is in fact based on spoils.

#### **4.6 Reflections on Assad's Economic Coup proofing and the Officer Corps: Between Strength and Vulnerability**

Syrian military officers' reliance on illegal off-budget benefits makes them vulnerable to the regime's wrath, such that whenever their loyalty is doubted, the Assad regime can decide to punish illegal activities to which it had previously turned a blind eye. The officers' consequent vulnerability ties them strongly to Assad.

The legislation criminalizing currency dealings is a perfect example. Law No. 24 of 1986 states that "the illegal holding and trading of currency is punishable with a period of imprisonment ranging from 10 to 25 years." As a result, the constituents of illicit benefits endowed on military officers are crimes punishable by law, which means that their sustainability depends on the Assads' lack of willingness to implement it. Numerous cases exemplify this fact. Assad Sr. undertook an anti-corruption campaign in 1977 in which he announced the formation of an independent council whose mission was to investigate acts of bribery, abuse of functions, graft and other corruption crimes. However, it was considered a failure by many analysts, who observed widely spread impunity towards the involvement of military leadership in illegal activities - including

the President's brother, Colonel Rifa'at al-Assad.<sup>214</sup> This was followed by another campaign in 1987 where impunity again protected loyal members of the officer corps including General Shafik Fayad, General Ibrahim Safy, General Ali Haider, General Aly Doba and General Mohamed al-Kholy. The highest-ranked person to benefit from impunity was then-Minister of Defense Mustafa Talas, even though in October 1987 he had been caught in possession of a large amount of smuggled products on his way back from Lebanon.<sup>215</sup> The desire of both the state and the military to protect officers' economic interests was also salient in the 1993 Syrian crackdown on drug cultivation, in which targeted obvious cultivation sites while ignoring major laboratories in Hermel, Baalbek, Zahle, and other Bekaa Valley towns that were closely tied to Syrian military partners and represented a chief source of profit for officers. This incident demonstrated that the Syrian authorities had the capacity to remove an important source of income for military officers but did not necessarily have the willingness to do so.<sup>216</sup>

The officers' vulnerability was highlighted when their engagement in illegal off-budget activities was used as a tool of elimination. In 1995, for example, an investigation into the finances of the head of national intelligence, General Bashir al-Naggar, resulted in his imprisonment for 12 years on corruption charges.<sup>217</sup> Another anti-corruption campaign was launched in the mid-1980s in which Altoun was charged with forgery. A similar form of elimination took place in an anti-corruption wave in 1997 in which major moneychangers were arrested, some of whom were military officers.<sup>218</sup> In March 2000, Assad Sr. initiated another corruption campaign through which he eliminated the prime minister, Mahmoud al-Zu'aby and indirectly coaxed members of the old guard into

<sup>214</sup> "Suri Hur: Hizb Al- Ba'ath Wa Hafiz Al-Assad," *Wikileaks*, September 24, 2012, accessed May 9, 2015, [https://wikileaks.org/syria-files/docs/1026270\\_-2-.html](https://wikileaks.org/syria-files/docs/1026270_-2-.html).

<sup>215</sup> Bishir Zain al- 'Abdin, "al- Hukumat al- Suria w Muharabat al- Fasad," *Al- Ittihad Newspaper*, April 18, 2011, accessed May 1, 2015.

<sup>216</sup> Gambill, "Syria After Lebanon," 35-42.

<sup>217</sup> Ibrahim Hamdy, "After Firing Al- Zu'bi and Other Officials, Syria: The Anti-Corruption Campaign Continues," *Al Hayat Newspaper*, May 12, 2000, accessed May 10, 2015, [http://daharchives.alhayat.com/issue\\_archive/Hayat%20INT/2000/5/12/واقالةالزعبي-طردب-ع/مسبتجرة-الفساد-على-الحملة-سورية--آخري-مسؤولين.html](http://daharchives.alhayat.com/issue_archive/Hayat%20INT/2000/5/12/واقالةالزعبي-طردب-ع/مسبتجرة-الفساد-على-الحملة-سورية--آخري-مسؤولين.html)

<sup>218</sup> Eyal Zisser, *Commanding Syria*, 104.

retirement in preparation for his son Bashar's takeover of power. These included a number of the previously mentioned officers in addition to general Ali Saleh.<sup>219</sup>

The officers were also sometimes able to leverage their loyalty to protect their illicit activities. For example, in 1984 Assad Sr. gave the order to eliminate Prime Minister Abdul Ra'aouf al-Kasm.<sup>220</sup> However, top members of the officer's corps resisted Assad's decision, which led to the order being repealed and al-Kasm retaining his position for three more years. Al-Kasm was known for facilitating illegal revenues derived from shady deals in the public sector and military enterprises. According to *Sa'ad-Allah Gadri*, a Millihouse engineer who was working on a large housing construction project in *Domr*, an investigation into officers' corruption was ended upon a direct order from al-Kasm, even though incriminating evidence had been brought to the attention of an investigative council regarding obvious profiteering from construction supplies, especially cement. He explained in an open letter in 2006 that Rifa'at al-Assad, along with other members of the officer corps, were issuing purchasing contracts for four times the market price of materials in order to appropriate the difference.<sup>221</sup>

Over the years, Assad's continuous initiation of anti-corruption campaigns gave the impression that the axe could fall at any moment. Whether arrests actually took place or not, the threat made clear to the military leadership their vulnerability to Assad's demands and the fact that their undisputed loyalty was essential for the survival of their individual economic interests.

## 4.7 Conclusion

We examined the Syrian case to show how military communality has influenced the technique, execution and direction of the distribution of economic benefits, looking at both on-budget and off-budget incentives to understand what and how much is being distributed, the means of distribution, and who the beneficiaries are. The discussion of the historical development of military communality in Syria shows that the phenomenon has

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<sup>219</sup> Hamdy, After firing al- Zu'bi.

<sup>220</sup> "Mabayn al-borgoasia wa Alshakhsya Almostakina," *Al Hayat Newspaper*, August 19, 1984, accessed May 10, 2015.

<sup>221</sup> *Sa'ad-Allah Gadri* "Resala Maftouha ela Abdul Ra'ouf al-Kasm," *Al Hayat Newspaper*, September 18, 2006, accessed May 10, 2015.



been entrenched in the military's structural evolution since its birth, such that the independent variable for the communal character may have been enhanced over the years, but was never fundamentally altered.

The analysis showed that there was a gradual shift in the military's business role due to Assad's use of economic coup-proofing. Starting by marginalizing the institution from its previous role as the leading actor in owning and managing economic resources, Assad's need to strike a balance between tying the military to himself without falling in the trap of granting the institution economic independence led him to a strategy of illegal off-budget benefits. This led to the military's playing a dominant role in organizing and sustaining networks to facilitate their involvement in illegal activities, ranging from secret deals with the private sector for a share of the formal economy to making partnerships with drug dealers inside and outside Syria. Assad's reliance on off-budget incentives also provided him with enough room to maneuver its distribution in such a way as to give it a more personalized character to selectively ensure the loyalty of the Alawite officers as well as a handful of other strategic Sunni generals.

In short, Assad's economic coup-proofing tactics, joined with the military's ethnic character, reduced the military's economic roles to that of spoils collector, which caused the organizational and corporate interest of officers of all levels to be replaced by the need to serve primarily individual interests and secondarily to satisfy communal interests whether through pursuing illicit activity or by upholding Alawi rule. As I wrote in my introduction, the form of military organization (communal or institutionalized) directly affects whether economic coup-proofing takes the form of indirect institutionalized benefits (on-budget) or of direct personalized incentives (off-budget). This will be further illustrated through the examination of economic coup-proofing in the cases of Jordan and Egypt: a communally organized military and an institutionalized military, respectively.

## **Chapter 5: Economic Coup proofing in Egypt: The Institutionalized Entrepreneurial Model**

A study of the Egyptian military is essential for describing how variation in military organizational structure contributes to the development of economic coup-proofing patterns, in contrast to the other cases, in which we saw how certain societal factions were favored for military recruitment (i.e. the Alawite officer corps and the Jordanian military's Transjordanian tribes) and were politicized and economically nurtured for their unique connection to the ruler. Egypt presents the case of an institutionalized military that underwent sporadic phases of politicization, especially under the leadership of the republic's first real ruler (after Mohammad Naguib, who was deposed by the other Free Officers shortly after his inauguration), Gamal Abdel Nasser.

I will begin by tracing the historical development of an institutionalized military in Egypt, providing a brief overview of the country's societal composition and describing the recruitment policies which led to the military's reflecting the makeup of Egyptian society. We will also look at the evolution of conscription legislation, going back in time to examine conscription under Mohamed Ali, and see that the consistent implementation of general conscription yielded an institution that reflected Egyptian society at large. Every family, no matter their background, would have at least one male who took part served in the military.

I will then investigate the various implications of military institutionalization on shaping economic coup-proofing tactics. In line with the overall hypothesis, I argue that the absence of clear ethnic or religious lines within the military institution created the need for coup-proofing that overwhelmingly targeted the institution in the form of institutionalized practices as opposed to personalized direct coup-proofing targeting a specific in-group.

This chapter analyses the mechanisms used by presidents Anwar al-Sadat and Hosni Mubarak<sup>222</sup> to distribute on- and off-budget economic incentives with the intention of garnering the military's loyalty. We can in this way examine the military-industrial complex.

Finally, the chapter lends insight into how the implementation of institutionalized economic coup-proofing reinforces military autonomy and enhances corporate interest.

### 5.1 The Historical Development of an Institutionalized Military in Egypt

Ethnically a relatively homogeneous society constituting of a majority Sunni population and a large Christian minority, Egypt lacks severe social divides corresponding to those of Jordan and Syria. Though religious strife threatened Egypt's cohesion at times, such clashes, no matter how severe, did not lead to the exclusion of any one ethnic or religious group from military service. Therefore, the Egyptian military grew to reflect Egyptian society's makeup.

Unlike the Syrian and the Jordanian militaries, the Egyptian military predates colonial domination. Mohamed Ali Pasha, ruler and founder of the Egyptian modern army, introduced the first Egyptian cadets to the officer corps in 1823, trained in the Aswan Officers School and the General Staff and Command School in Khanka.<sup>223</sup> He later enshrined military conscription into the army's doctrine in the 1830s in his attempt to expand and modernize the military institution.<sup>224</sup> This policy dictated that the military rank and file be recruited from the Egyptian peasants (*Fellahin*) who constituted the majority of the population at that time.<sup>225</sup> Consolidating the Egyptian element in the officer corps, Ali's successors, Khedives Said and Said's son Abbas, maintained a policy of compulsory military service for all classes of society and promised Egyptians prestigious positions in the officer grades. Fostering the professional identity of Egyptians in the officer corps and making it even more reflective of Egyptian society,

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<sup>222</sup> Alienating with students of MENA region politics who pinpoint the start of the military's withdrawal from day-to-day politics only began under Sadat.

<sup>223</sup> P.J Vatikiotis, *The Egyptian Army in Politics, Pattern for New Nations?* (Connecticut: Greenwood Press, 1975), 6.

<sup>224</sup> Ahmed S. Hashim, "The Egyptian Military Part One: From Ottomans through Sadat," *Middle East Policy* 18, No. 3 (2011), 64.

<sup>225</sup> Rayyis, *Politics in Uniform*, 16.

Khedive Ismail (1863 to 1879) established advanced military schools and academies in addition to military training missions abroad, to which Egyptians had access.

Resistance from the officer corps (which was mainly stacked with non-natives including Turks, Circassians and Europeans) hindered Egyptians' joining their ranks, but nonetheless Ali's conscription policy and its subsequent laws helped promote the military values needed for military socialization and accustom Egyptian society to the idea of military service. General Ahmed Urabi's revolt in 1881, whereby the officer corps called for change on behalf of the Egyptian masses, is evidence of this.

Another major stride in building the military's institutionalized character occurred in 1936, during the period of the British protectorate, when the Anglo-Egyptian Treaty granted native Egyptians control over the military for the first time since 1882. The British required Egyptian officers to attend British military academies for advanced training, which introduced them to military professionalism. In 1936 the armed forces consisted of 398 officers and 11,991 noncommissioned soldiers (NCOs) and enlisted men. By 1937, the army had grown and was slowly transforming from a constabulary into a mobile though still lightly-armored conventional force with 982 officers and 20,783 of other ranks.<sup>226</sup> Until the early 1930s, officer recruitment and promotion was mainly determined by birth, which meant that career officers were drawn from Egyptian elites that were especially loyal to the king and his administration (*Diwan*).<sup>227</sup> However, the growth in military size necessitated a corresponding expansion within the officer corps. Consequently, in early 1936, the Egyptian government, dominated by the ultra-nationalist *Wafd*, took the momentous step of opening the Royal Military Academy to the sons of members of the middle and lower-middle classes.<sup>228</sup> Liberalizing the Academy's application, young officers flowed in "regardless of family background, social class, or economic status" which characterized the officer corps in the years to follow.<sup>229</sup>

The Free Officers can be directly linked to this batch of young Egyptian officers – eight out of eleven members entered the Academy in 1936 –, who came to view the

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<sup>226</sup> Hashim, "The Egyptian Military," 65.

<sup>227</sup> Anthony McDermott, *Egypt from Nasser to Mubarak: A Flawed Revolution* (London: Croom Helm, 1988), 150.

<sup>228</sup> Hashim, "The Egyptian Military Part One," 66.

<sup>229</sup> Vatikiotis, *The Egyptian Army in Politics*, 45.

monarchy as corrupt, exploitative and unjust. They started taking an active interest in the country's political reality, especially following the 1948 defeat by the newly founded Jewish state.

The defeat was a particularly pivotal event in mobilizing the young officers. The defeat brought to the surface old tensions as it brought the Wafd back to power, which was highly disappointing for the frustrated masses. Vatikiotis (1961) described the party saying "The Wafd's failure to deal successfully with the British question and to satisfy inflated popular expectations was compounded by its reluctance, hesitation, and inability to face internal social and economic problems."<sup>230</sup> Moreover, the period following the intervention in Palestine was mainly characterized by the rise of violent political-religious extremism, embodied by a number of assassinations that underscored the state's inability to contain security threats.

Most importantly, the defeat enhanced the political consciousness of these young officers, instilling a heightened awareness of the Egyptian government's political deterioration while at the same time striking a huge blow to the public's image of the military. These young, professionally trained officers were shocked by the country's decline in combat capability and military readiness, and appalled at the blatant patterns of nepotism, poor training and mistreatment of enlisted soldiers. This discontent gave rise to a number of autonomous groups within the institution, one of which was the Free Officers. The Free Officer movement reflected these officers' institutionalized character and society's grievances. They were made up of personnel who shared the socio-economic background of the majority of the population, which allowed them to organize, strategize, rise up, and ultimately overthrow the monarchy, evict the British and set up a republic led by an Egyptian for the first time in the country's modern history.<sup>231</sup>

Despite the success of 1952 coup, the young republic inherited many troubles, and with a brittle institutional setup that was unable to effectively penetrate society, ridden with income inequality and political fragility<sup>232</sup>, the country was vulnerable to the rise of a military-dominated order. The Revolutionary Command Council stacked with fourteen

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<sup>230</sup> *Ibid*, 28.

<sup>231</sup> *Ibid*, 67.

<sup>232</sup> Ahmad Shoukr, "Reflections on Two Revolutions," *Middle East Research and Information Project* no. 265 (2012).

military men and cabinets composed of 65 percent serving officers<sup>233</sup>, ruled the country under the leadership of Gamal Abdel Nasser.

This power arrangement paved the way for a highly politicized military which developed into the most powerful institution in the autocratic state, manifesting in various ways according to change in leadership: from direct decision-making, organizing, managing and executing plans of economic and social change in the early years under Nasser towards having their role reduced to that of a political moderator but at the same time compensated by a major stake in the economy under Sadat and even more so under Mubarak.

Ensuring the hegemony of the military institution demanded that general conscription be one of the defining pillars of the Egyptian military; this was the natural growth of the institutionalizing seed planted by Mohamed Ali. Nasser cemented general conscription first by passing Law 505 of 1955, which introduced mandatory general conscription, and more importantly expanded the promotion of NCOs to officers thus enhancing the heterogeneity of the officer corps.<sup>234</sup> A year later, the legislation was absorbed into the 1956 constitution as a national duty bared by all eligible Egyptian men which was upheld by all the constitutions that followed.

Upon coming to power in 1970 – not having history on his side, Sadat had to shoulder the burden of the military’s wavering professionalism which had led to two humiliating defeats in the span of 11 years - the 1956 tripartite aggression and the 1967 defeat by Israel, in which the Israeli forces seized the Sinai peninsula. Because he had to deal with the pressing goal of restoring the military’s readiness for war, he promptly initiated a period of reform known as the *Corrective Revolution of 1971*, through which Sadat was able to enact a number of processes to achieve his goal. One necessary step was to lessen the political influence, which the military had enjoyed under Nasser by reducing the number of officers serving as cabinet members,<sup>235</sup> as well as by diminishing

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<sup>233</sup> Anouar Abdel-Malek, *Egypt, Military Society: The Army Regime, the Left and Social Change Under Nasser* (New York: Random House, 1968), 42.

<sup>234</sup> Hazem Kandil, *Soldiers, Spies, and Statesmen: Egypt's Road To Revolt* (London: Verso, 2012), 17.

<sup>235</sup> Mark N. Cooper, “Demilitarization of Egyptian Cabinet,” *International Journal of Middle East Studies*, 14, No. 2 (1982): 205.

their management of state-owned enterprises through a process of gradual privatization ('the open-door policy').<sup>236</sup>

However, following the "victory" of 1973, and the subsequent conclusion of the peace agreement with Israel in 1979, Sadat realized that the state had a large military that was suddenly no longer busy preparing for war. Fearful of what this unprecedented situation might entail, he began incorporating the military institution as an autonomous economic actor, giving birth to a new form of military subordination.

Subordinating the military institution by buying off military loyalty, Sadat (and later his successor Mubarak) devised a number of economic coup-proofing mechanisms aimed to dilute the military's interest in taking a major role in the day-to-day political deliberations - a necessary step, given the Egyptian military's entrenchment in political affairs under Nasser. In exchange for the military's surrender of a considerable chunk of its political power, Sadat, and on a larger scale Mubarak, allowed and even steered the institution to carve out a dominant role in the economy, not only through the management of state-owned enterprises already sanctioned by Nasser, but also in the form of direct ownership of enterprises through the gradual development of a number of industrial arms under the control of the defense ministry.

It is not that the rulers in question refrained from the use of other forms of economic coup-proofing, for they both used on-budget as well as off-budget benefits in varying degrees. However, I argue that the overarching logic is one of an institutionalized system of privileges that developed into a path-dependent web of networks, to the extent that they are almost independent of the incumbent.

The following sections examine this particular application of economic coup proofing in the on-budget and the off-budget forms.

## 5.2 On-budget incentives

The distribution of military expenditures remains a taboo subject in Egypt. No one really knows the principles governing the process, so this section presents my own depiction

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<sup>236</sup> Zeinab Abul-Magd, "Egypt's Adaptable Officers: Power, Business, and Discontent," *ISPI Analysis*, no. 265 (2014): 5.

supported by previous works in the field. I start by providing an overview of the rules dictating budgetary control (mainly constitutional text) in order to give an idea of the extent to which the incumbent can influence the distributive process and use it as a tool of economic coup-proofing. The section goes on to explore the flow of funds over time in relation to change of leadership, and how it translates into a change in the strategy of distributing economic incentives. To such ends, I argue that economic coup-proofing is highly institutionalized, as the underlying logic is one of economically enhancing the institution and not a particular in-group of individuals.

### 5.2.1 Budget Control in the Constitution

Since Sadat came to power and up until the overthrow of Mubarak in 2011, Egypt has seen one constitution, which came into force in 1971 and saw a number of amendments over the years. However, the control of the military budget has remained unchanged across the board of alterations. The constitutional text does not refer specifically to the military budget, which account for its confidential nature. However, it includes a detailed manual for the drawing, management and enforcement mechanism of the general budget. This implies that, as in other departments, the legislator has a wide range of powers to exercise control over military expenditures. The ministry of defense is thus required to make annual presentations before the parliament's Committee of Defense and National Security, providing the opportunity for the committee, as well as parliament members, to question the nature of military expenditures. However, Steven Cook (2007) declared that in reality the ministers of defense have been making fewer appearances over the years – maybe once every two years – and when they do appear, are rarely ever thoroughly questioned.<sup>237</sup> This suggests that military expenditures lack civilian oversight.

More importantly, in order to help determine the incumbent's capacity to utilize military expenditures for buying loyalty, the powers granted to the president in relation to the institution must be examined. The president's supreme commandship of the armed forces give him the agency to propose an increase or decrease in military expenditure, which would then be addressed to the Committee of Defense and National Security for

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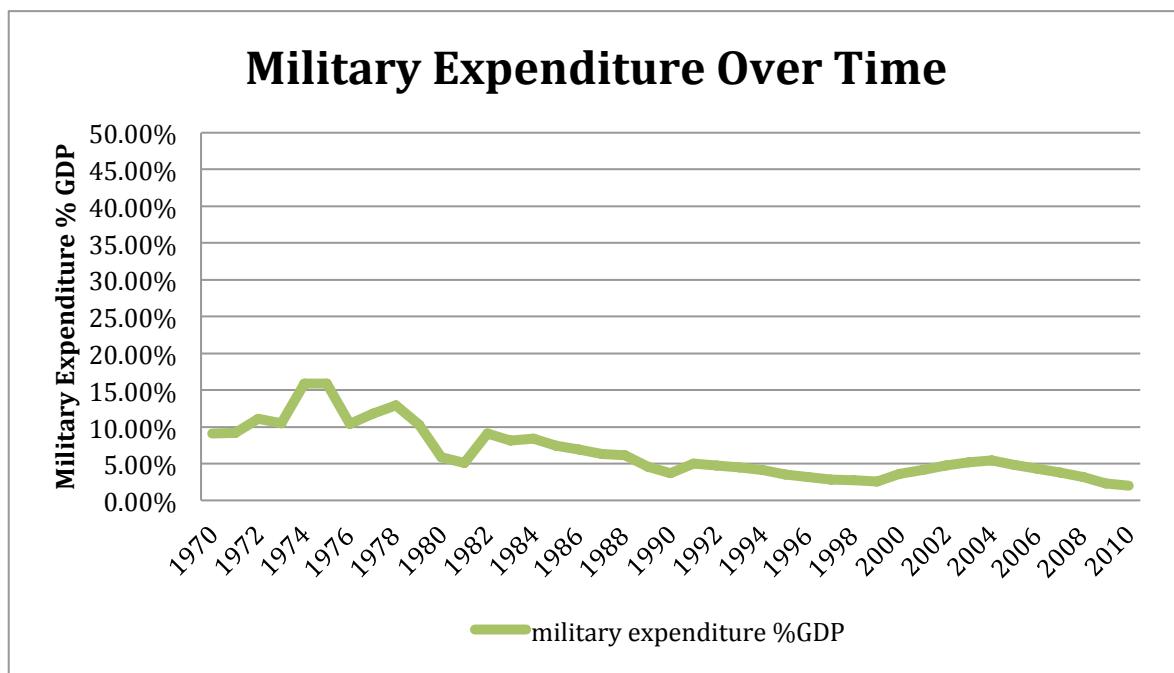
<sup>237</sup> Steven A. Cook, *Ruling but not Governing: The Military and Political Development in Egypt, Algeria, and Turkey* (Washington: John Hopkins University Press, 2007), 167.



approval. According to Cook's analysis of the Committee's impotence, the process was merely on paper. Therefore one can assume that in accordance to the 1971 constitution, the president had the capacity to influence the budget. But again, because of its confidentiality, it is difficult to make a clear assertion about the president's exercise of such power.

The opacity of the military budget, coupled with the lack of clear guidelines pointing to the dynamics of its determinacy, make any claims about its nature difficult. However, one can deduce that, contrary to the legal procedure implied in this grey legislation, the only major entities capable of enacting any real changes on military expenditures are the military leadership and the president. This implies that decisions pertaining to economic allocations with the intention of garnering loyalty most likely take place as a result of an agreement between the named entities, as opposed to the general understanding of coup-proofing in which the incumbent unilaterally devises strategies. This reinforces the institutional nature of the distribution of economic incentives, as it limits the incumbent's ability to harness the loyalty of the few in-group individuals ignoring the institution's corporate interest.

**Graph 3: Military Expenditures in Egypt: An Analysis Over Time**



**Source:** World Military Expenditures and Arms Transfers reports (WMEAT)

Since the establishment of the Arab Republic of Egypt, the military institution has always used a considerable share of GDP with the exception of the last ten years (see Graph 3). It is also common knowledge that the publically-revealed budget represents a fraction of what the Egyptian military institution receives in reality from its productive activities, military aid and government subsidies (mostly secret affairs). Political leaders have used the budget to target the institution through arms purchases and the establishment of an economic empire but not so much the individuals directly, which they did on a bigger scale in the last twenty years through granting senior officers second incomes from positions in civilian bureaucracy and later post-retirement careers. These processes were also institutionalized as part of a military career path, rather than attached to the durability of a certain incumbent.

Utilizing the government's easy access to massive properties and enterprises as a result of nationalization policies establishing a statist economy, Nasser's economic coup-proofing relied completely on directing benefits towards active officers (both young and senior) by granting them de-facto management positions in the bureaucracy wherein they received additional salaries, bonuses, allowances and later pensions. Because of the officer's position on top of state-owned enterprises, military personnel and their families had the upper hand in utilizing nationalized property, whether for personal use or to extract funds which were not directly derived from the budget.<sup>238</sup> Still, military expenditures were channeled through the creation of an institutionalized welfare system that granted military personnel and their families' exclusive access (in relation to the rest of the public sector) to subsidized cars, housing facilities, health care and family vacations.

With demilitarization, military expenditures dropped from around 10.3 percent in 1979 to 5.9 percent of GDP in 1980 during Sadat's reign, but at the same time military funds were channeled towards the establishment of an independent economic empire that would eventually yield profits benefiting the institution as a whole. In terms of arms purchases, the military was particularly blessed in Sadat's era following the signing of the

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<sup>238</sup> U.S. Library of Congress, Congressional Research Service, *Egypt: Background and US Relations*, by Jeremy M. Sharp, RL33003 (2007): 27.

peace accords with Israel in 1978, with the United States granting it an average of US \$1.3 billion in military aid in the form of grants and loans, which were then used by law to procure arms from US manufacturers.<sup>239</sup> Military aid also covered upgrades, operation and maintenance of existing equipment. Establishing such a relationship helped to keep arms purchases from making a large dent in the budget, as up to 30 percent of the annual military aid was spent on acquiring new weapons systems, amounting to around 80 percent of Egypt's procurement budget.<sup>240</sup>

The financial burden was relieved even more during Mubarak's reign as the US pardoned Egypt's FMF debt incurred between 1982 and 1988 and switched all military assistance to the form of grants with no repayment required. This provided Mubarak with the easy access to funds necessary to prop up an institutionalized system of economic coup-proofing, by fulfilling the institution's arms needs in addition to securing the funds needed for the military's industrial complex.

However, with US pressure to liberalize the economy, initiated under Sadat and intensified under Mubarak, the process of subsidy erosion coupled with privatization of state-owned enterprises negatively affected the military's welfare system. During the three-decade Mubarak era, the military's welfare system experienced a serious blow. The severe fall in oil prices in the mid-80s, coupled with sharp cuts in Egypt's world markets (particularly following the economic recession of 2008), produced a debt crisis that crippled Mubarak's ability to rely on budget allocations to maintain the loyalty of military leadership.<sup>241</sup> Attempting to salvage the situation, Mubarak adopted structural adjustment policies in 1991 that relied on privatization, decentralization and reduction of subsidies.

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<sup>239</sup> Shana Marshall, "Cashing in After the Coup," *Foreign Policy*, July 18, 2013, accessed June 15, 2015, <http://foreignpolicy.com/2013/07/18/cashing-in-after-the-coup/>.

<sup>240</sup> In 2005, Egypt used its total FMF funds received since 1979 to procure a total of 36 Apache helicopters, 220 F-16 aircraft, 880 M1A1 tanks, and the accompanying support these systems in addition to other items especially the construction of factories affiliated with the military's industrial-complex. For more detail see U.S. Government Accountability Office, *Security Assistance: State and DOD Need to Assess how the Foreign Military Financing Program for Egypt Achieves U.S. Foreign Policy and Security Goals*, GAO-06-432 (Washington, DC, 2006), 4.

<sup>241</sup> Joe Stork, "Rescheduling the Camp David Debt," *Middle East Report*, No. 147 (1987).

During the latter years of Mubarak's rule, particularly from 2004 onwards, the Egyptian state doubled its privatization revenues from those of the previous two decades.<sup>242</sup> This economic shift from a state-led to a more liberalized economy certainly caused a corresponding shift in the economy's main beneficiaries: from military personnel with practically unlimited access to state-owned economic enterprises leading the development of an all-encompassing welfare system, to a growing private sector dominated by around 490 families with assets amounting to \$30 million each.<sup>243</sup>

Though the military was able to maintain a stable percentage of the national budget with a slow but gradual decline (See Graph 3), its welfare system was greatly affected since pressure to slash subsidies, aggravated by rising two-digit inflation rates to which military salaries and benefits were not adjusted, eroded public sector benefits in general. Thus personnel benefits drastically deteriorated in the last ten years of Mubarak's rule to the point where young officers barely made 2000 Egyptian pounds (333 dollars) a month. Bou Nassif quoted one officer who said that that military personnel were public servants and that, in order to raise their salaries, the government had to do the same with all public servants.<sup>244</sup> Moreover, the previously granted benefits faltered as active officers had to wait three to four years for a humble apartment or a car, which they ended up paying for by deducting monthly installments from their already low salaries.<sup>245</sup>

Building on the deterioration in the military's welfare system, Mubarak and then-defense minister Abu Ghazalah, agreed to expand nurturing of the military's productive activities in order to generate necessary funds. The following section describes the expansion of the military's business activities, another venue where military expenditures were systematically channeled.

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<sup>242</sup> Stephen Roll, *The Business Elite and the End of Mubarak Regime: Powerful Player between Generals and Brotherhood* (Berlin: German Institute for International and Security Affairs, 2013): 7.

<sup>243</sup> "World Ultra Wealth Report 2012–2013," *Wealth-X*, January 11, 2012, accessed June 21, 2015, 91, <http://wuwr.wealthx.com/Wealth-X%20and%20UBS%20World%20Ultra%20Wealth%20Report%202013.pdf>.

<sup>244</sup> Bou Nassif, "Generals and Autocrats," 162.

<sup>245</sup> Bou Nassif, "Wedded to Mubarak," 516.

### 5.3 The Egyptian Military's Business Activities

One fundamental element of the military's economic incentives is military presence in the formal economy. I will show that the Egyptian Armed Forces' role in the economy was drastically enhanced over time as a result of an accumulation of developments. From a financial standpoint, the military's growth in size from a total strength of around 288 thousand in 1970 with a budget of US \$1272 million<sup>246</sup> to 367 thousand in 1981 with a budget of US \$2.17 billion<sup>247</sup> to 420 thousand active personnel with US \$4.27 billion budget in 1991 and to 469 thousand active personnel with US \$4.56 billion in 2010<sup>248</sup>, towards the end of Mubarak's reign. This provides insight into the institution's rapid growth, which produces increasing personnel costs. Also, the added costs of military modernization contribute to budgetary strain and intensify the possibility of its insufficiency as a source of material incentivization. From an economic perspective, severe economic struggles incurred by the economy following the defeat of 1967 limit the availability of lucrative funds to uphold the institution let alone provide incentives for its personnel. This is coupled with the privatization initiated by Sadat and deepened by Mubarak, which contributed to the erosion of the previously military-managed state-led economy, thus subjugating the institution's corporate image as Egypt's economic vanguard and increasing the possibility of mounting military dissatisfaction. From a political standpoint, the military's de-politicization following Nasser's death called for an implicit deal stipulating an institutional shift from the political sphere to the economic one to avoid backlash, not to mention the need to invent an occupation for a peacetime army following the Camp David Accords.

The previous reasons help us understand the circumstances that gave rise to the expansion of the military's productive activities. The following paragraphs review military business activities with a focus on how they enhance military autonomy.

In the Nasser era, though the military did not play a pivotal role in owning enterprises, they were entrenched in the management of state-owned establishments. Steering resources towards the military, Nasser installed members of the officer corps to

<sup>246</sup> "Middle East and North Africa," *The Military Balance* 70, no. 1 (1970): 45.

<sup>247</sup> "Middle East and North Africa," *The Military Balance* 81, no. 1 (1981): 49.

<sup>248</sup> "Middle East and North Africa," *The Military Balance* 110, no. 1 (2010): 280.

replace civilian factory and business owners, allowing them a wide range of benefits especially since there was little to no oversight.<sup>249</sup> This did not last, however, for the defeat of 1967 signaled the military's preoccupation with civilian posts and the resultant neglect of combat preparedness, which called for a withdrawal of the military from politics.

Upon rising to power, Sadat directed his efforts at correcting some of the missteps that occurred after the 1952 revolution. One major step was planting the seed for the military economy. This step can be traced back to his initiation of the Arab Organization for Industrialization (AOI) in 1975.<sup>250</sup> This was particularly important as it commenced the development of the military's arms industrial sector. With a small bilateral agreement intended to build a limited number of aircrafts purchased from France, the EAF's defense industry started to flourish.<sup>251</sup> Establishing the military's involvement in the civilian economy, Sadat launched the National Services Products Organization (NSPO) in 1978, which overlooked the development of military enterprises.<sup>252</sup> Both of these were subject to the Ministry of Military Production. To help set the institution's enterprises above the competition, Sadat endorsed law 32 of 1979, which granted the military "financial and institutional independence from the government's budget and allowed it to open special accounts in commercial banks."<sup>253</sup> Subsequently, military enterprises gained a competitive advantage whereby they were not only subsidized by the state but also exempted from taxation. Moreover, the military's industrial-complex was immune from any form of civilian or legal oversight. Sadat also ensured the institution's economic

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<sup>249</sup> Shana Marshall, *The Egyptian Armed Forces and the Remaking of an Economic Empire* (Washington D.C.: Carnegie Endowment For International Peace, 2015), 4.1-30, available at: [http://carnegieendowment.org/files/egyptian\\_armed\\_forces.pdf](http://carnegieendowment.org/files/egyptian_armed_forces.pdf). For further reading on the General Intelligence's economic holdings see Abdel- Fattah Barayez, " 'Aan Al-Gesh Wa Imbratoreyataho Al-iqtisadya Fe Misr,'" *Jadaliyya*, October 24, 2013, accessed June 3, 2015, <http://www.jadaliyya.com/pages/index/14717/مصر-في-الاقتصاد-وإمبراطوريته-الجيش-عن>.

<sup>250</sup> Andrew Rathmell, "Egypt's Military-Industrial Complex," *Jane's Intelligence Review* 6, no. 10 (1994): 3.

<sup>251</sup> "Arab Organization for Industrialization," *NTI*, last modified April 19, 2015, accessed June 21 2015, <http://www.nti.org/facilities/402/>.

<sup>252</sup> "National Service Products Organization," *Global Security.org*, accessed June 22 2015, <http://www.globalsecurity.org/military/world/egypt/nspo.htm>.

<sup>253</sup> Imad Harb, "The Egyptian Military in Politics: Disengagement or Accommodation?," *Middle East Journal* 57, no. 2 (2003): 286.

supremacy by granting it the right to seize public land at any time for reasons of national security, thus enhancing their privileged access to investment opportunities.<sup>254</sup>

The military's economic empire was truly consolidated in the period following Sadat's assassination in 1981. Following in Sadat's footsteps, Mubarak enhanced the military's competitive edge by making all its imports effectively tariff-free in accordance to a 1986 law. In 1997, a presidential decree granting the military the right to control all undeveloped non-agricultural land gave them de facto management over around 87 percent of the country.<sup>255</sup> Hence, during his reign, economic coup-proofing expanded greatly in the 1980s under the leadership of Field Marshall Abdul-Halim Abu Ghazalah. Ghazalah founded a coup-proofing system based on the expansion and deepening of the military-industrial complex, which could benefit the military as a whole.<sup>256</sup> In addition to providing it with political leverage derived from its vast economic power. From then on the military industrial arm expanded in two directions: the arms industry and the civilian economy.

### 5.3.1 The Civilian Economy

According to scholars who have studied the EAF's economy, including Zeinab Abul-Magd and Robert Springborg<sup>257</sup>, no one really knows the exact share of Egypt's economy that the military occupies. Nonetheless, expert estimates range from 5 to 40 percent.<sup>258</sup> Other experts attempting to generate more precise estimations include Amr Hamzawy who asserted that the military controls up to 30 percent of Egypt's US\$180

<sup>254</sup> Zeinab Abul-Magd, "The Army and The Economy in Egypt", *Jadaliyya*, 23 December 2011, accessed June 21, 2015, <http://www.jadaliyya.com/pages/index/3732/the-army-and-the-economy-in-egypt>.

<sup>255</sup> Sherine Abdel Razek, "Military Inc?," *Al-Ahram Weekly*, January 1, 2015, accessed June 3, 2015, <http://weekly.ahram.org.eg/News/10053/18/Military-Inc--.aspx>.

<sup>256</sup> Yezid Sayigh, *Above the State: The Officer's Republic in Egypt* (Washington D.C.: Carnegie Endowment For International Peace, 2012), 9, [http://carnegieendowment.org/files/officers\\_republic1.pdf](http://carnegieendowment.org/files/officers_republic1.pdf).

<sup>257</sup> Robert Springborg, *Mubarak's Egypt: Fragmentation of The Political Order* (Boulder, CO: Westview Press, 1989), 95-133.

<sup>258</sup> Shana Marshall and Joshua Stacher, "Egypt's Generals and Transnational Capital," *Middle East Report*, no. 262 (2012): 12-19.

billion economy shaping up to around US\$54 billion.<sup>259</sup> Mohamed Kadry Said, a retired general and an analyst at the Al Ahram Center for Political and Strategic Studies, brought the number down to about US \$15 billion. Ahmad al-Nagar estimated the military's industrial complex at no more than 18 percent,<sup>260</sup> while a western expert, Paul Sullivan, placed the amount at US \$35 billion. In spite of the aura of secrecy surrounding the military economy, a careful tracing of the military's economic holdings and activities can shed light on the expansion of its industrial complex following Mubarak's use of institutionalized indirect economic coup-proofing.

Zeinab Abul Magd's work is probably the most comprehensive analysis of the military's civilian economy yet.<sup>261</sup> Building on the establishment of the NSPO under Sadat, the military institution was able to expand its productive capacities to generate an economic empire that included consumer goods, food products, land holdings, chemical factories, telecommunications, construction and maritime transport companies, not to mention the military's vast and fast-growing service industry, spread across the country, which includes restaurants, sporting clubs, luxury hotels and resorts.

However, Abul-Magd (2011) along with other voices including Farouk (2008) cast doubt on the profitability of these enterprises. Abul-Magd asserts that there is a continuous pattern of mismanagement and wastefulness associated with the running of military enterprises, contributing to low revenues. Farouk seconds this argument by mentioning Central Auditing Authority reports, which point to the so-called economic empire's inability to generate adequate profits.<sup>262</sup> These arguments suggest that though

<sup>259</sup> Charles M. Sennott, "Inside the Egyptian military's Brutal Hold on Power," *Frontline*, January 24, 2012, accessed June 29, 2015, <http://www.pbs.org/wgbh/pages/frontline/foreign-affairs-defense/revolution-in-cairo-foreign-affairs-defense/inside-the-egyptian-militarys-brutal-hold-on-power/>.

<sup>260</sup> Ahmed Al-Nagar, "Maza Yurid Al 3'arb Men Iktisad Elgesh?," *Ahramonline*, October 8, 2013, accessed June 3, 2015. <http://www.ahram.org.eg/News/966/4/235982/مذاواراء-قضايا-اقتصاد-من-الغرب-يريدي.aspx>.

<sup>261</sup> Zeinab Abul-Magd, "The Generals' Secret: Egypt's Ambivalent Market," Sada/ Carnegie Endowment for International Peace, February 9, 2012, accessed June 20, 2015, [http://carnegieendowment.org/sada/2012/02/09/generals-secret-egypt-s-ambivalent-market/fdc9](http://carnegieendowment.org/sada/2012/02/09/generals-secret-egypt-s-ambivalent-market/fdc9;).; Zeinab Abul-Magd, "Understanding SCAF, The Long Reign of Egypt's Generals," *The Cairo Review of Global Affairs*, June 2012, accessed June 21, 2015, [http://www.aucegypt.edu/GAPP/CairoReview/Lists/Articles/Attachments/216/CR6-Abul\\_Magd.pdf](http://www.aucegypt.edu/GAPP/CairoReview/Lists/Articles/Attachments/216/CR6-Abul_Magd.pdf).

<sup>262</sup> Abdel Khaliq Farouk, *Juzur Al-fasad Al-idari Fi Misr: Bi'at Al-'amal Wa Siyasat Alujur*



the military's economic engagement has expanded tremendously over time, they are not viable long-term sources of income, and that the reason behind their sustainability is a political one.

Even though the enterprises may not be particularly profitable, the military's economic empire still bestows benefits on the whole institution. Contributing to personnel costs, a portion of the revenues allegedly goes to supporting officers' benefits including salaries, allowances, housing, cars, hospitals, scholarships etc. Another portion of the profits enhances corporate interest by complementing spending on operation and maintenance costs, weapons procurements, training etc.<sup>263</sup> It also allows the military institution to maintain its grip on the increasingly privatized economy through forming joint ventures with private sector tycoons like Shafiq Gabr, whose company Artoc Group supplies the military with equipment such as ejector seats and fitness supplies for the army's fitness studios. Another example is Moataz Al-Alfi who represents the Kharafi Group in Egypt, a venture that will be explained in the section on the EAF's arms industry.<sup>264</sup>

Though it is difficult to compare military incomes from the national budget and revenues generated by the institution's economic activities (confidential revenues), expert opinions and analysis on the empire's size and its entrenchment in the civilian economy show that it could in fact contribute to loosening the institution's dependence on the budget and in turn enhance its autonomy even if the profits are not substantial. Though quantitatively military expenditures almost doubled between 1999 and 2010, they still gradually declined as a percentage of GDP.

### 5.3.2 The EFA's Arms Industry

Like the military's engagement in the civilian economy, the EAF's arms industry went through remarkable developments following Mubarak's ascent to power, whereby military budget funds must have been channeled to expand the following enterprises, especially considering the deterioration in personal benefits previously discussed.

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Aa Al-murattabat Fi Misr (Cairo: Dar el Shorouk, 2008), 288.

<sup>263</sup> Sayigh, "Above The State," 17.

<sup>264</sup> Roll, "The Business Elite," 10.

Building on the establishment of the AOI in 1975, the military aspired to establish its own arms production complex with the aim of raising Egypt as a major exporter in the region.

By 1981 the organization grew to incorporate 32 factories in which Egypt manufactured \$400 million worth of arms, the majority of which were light arms and small naval ships.<sup>265</sup> However, the industry mainly catered to the local market, because so much equipment had been destroyed in the 1973 October War. Springborg (1987) stated that, consolidating a position in the manufacture of small arms, the AOI's production accounted for around 60% of the Egyptian military's small arms needs.<sup>266</sup> Hazem Kandil added that arms surplus was exported for around \$1 billion a year.<sup>267</sup>

In the second half of the 1980s, the organization began to prove its capabilities and so it was able to gradually expand through the procurement of coproduction agreements with western manufacturers aiming to go beyond simple final assemblage and parts manufacturing to a more sophisticated form of high-tech military production. Arms exports rose from US \$1 billion to around \$4 billion, according to the US Arms Control and Disarmament Agency.<sup>268</sup> Through the US Pacer Forge Facility Support Program (PFFS)<sup>269</sup>, the United States channeled direct military aid towards financing the creation of new production facilities ranging from low-tech production (light weapons, bombs and ammunition) to armored vehicles, heavy guns, planes, missiles and ships.<sup>270</sup>

Examples of such development include the Sakr Factory for development industries, which produced the Sakr 30, a 122 rocket in addition to its eventual

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<sup>265</sup> Jim Paul, "The Egyptian Arms Industry," *MERIP Reports*, no. 112 (1983): 26.

<sup>266</sup> Robert Springborg, "The President and the Field Marshal: Civil-Military Relations in Egypt Today," *Middle East Report*, no. 147 (1987): 8.

<sup>267</sup> Hazem Kandil, "Bank on Horse? The Military Between Two Revolutions," In *Arab Spring in Egypt: Revolution and Beyond*, ed. by Bahgat Korany and Rabab El-Mahdi (Cairo: American University Press in Cairo, 2012), 182.

<sup>268</sup> Joe Stork, "Arms Industries of The Middle East," *Middle East Report*, no. 144 (1987), available at: <http://www.merip.org/mer/mer144/arms-industries-middle-east>.

<sup>269</sup> Erick Bames, "Egypt: Pacer Forge an Example of Long-term Success Middle East District News Stories," *US Army Corps of Engineers*, July 21, 2010, accessed, June 30, 2015, <<http://www.tam.usace.army.mil/Media/NewsStories/tabid/12569/Article/483550/egypt-pacer-forge-an-example-of-long-term-success.aspx>>.

<sup>270</sup> This program dictates that any Egyptian military facility (including both the civilian and the defense production facilities) would be built as well as maintained under the supervision of the US Army Corps of Engineers using US military aid.

production of 23 mm ammunition and air defense guns with two muzzles exported to Morocco, Iraq, Sudan and Somalia.<sup>271</sup> Increasing its international presence, Sakr and other affiliates of AOI expanded through the consolidation of international defense agreements, starting with manufacturing an improved version of the American TOW wire-guided anti-tank missiles, the French Matra Magic R-550 air-to-air missile and the Matra Crotale surface-to-air missile batteries.<sup>272</sup> Benha Electronics, another factory subsumed under the AOI took part in the development of a coproduction agreement with the French company TRT and was also involved in another contract with the American GTE-Sylvania stipulating the manufacturing of SB-3614 automated tactical telephone switchboard.<sup>273</sup> Expanding into the field of aerospace, AOI started the Helwan Aircraft and the Helwan engine factories, which produced the Spanish-designed 63 HA-200 jet trainers, the even more sophisticated French Alpha Jet and the Mirage 2000 engine in cooperation with the French company, SNECMA.

A major expansionary phase took place in the 1990s whereby the military's arms industry was able to secure a number of long-term joint ventures with foreign defense firms as well as non-western companies. Among the most important were the Arab-British Dynamics producing the SH-60 Lynx commando helicopters and the Rolls-Royce jet engines and the American Motors Corporation which mainly aimed at the production of Swing-fire anti-tank missiles in addition to civilian vehicles including the Jeep Wrangler and the 4X4 Jeep Cherokee.<sup>274</sup> Other developments include the establishment of the Arab British Helicopters Co. and Arab British Engine Co. for the production of H14 engine of the Gazell helicopter, the T.V.2 engine used in the M1-8 aircraft in addition to the repair and overhauling of helicopter engines.<sup>275</sup>

Nonetheless, the highlight of this decade was the military's ability to diversify by furthering their joint ventures with the private sector that came to be known as public-

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<sup>271</sup> Paul, "The Egyptian Arms," 27.

<sup>272</sup> *Ibid.*

<sup>273</sup> Joe Stork and James Paul, "Arms Sales and the Militarization of the Middle East," *Middle East Report*, no. 112 (1983), available at: <http://www.merip.org/mer/mer112/arms-sales-militarization-middle-east>.

<sup>274</sup> *Ibid.*

<sup>275</sup> US Department of State, Foreign Commercial Service, *Military Factories: Defense Trade Opportunities in Egypt*, by Hammam Nasr and John Parimou, Open-file report 980413 (Cairo: 1998): 1-15, <http://fas.org/nuke/guide/egypt/facility/mark0033.htm>.

private partnerships (PPP),<sup>276</sup> thus tapping into private capital. Utilizing privatization policies, the military took control of many vital enterprises, such as the Alexandria shipyards. Because of this the military leveraged its way into profitable partnerships that incorporate funds from public sector banks with foreign funding. One example is the military's partnership with the Gulf conglomerate Kharafi Group in manufacturing warships, merchant vessels and commercial boats.<sup>277</sup>

At the turn of the century, the military expanded its productive activities through joint ventures with western and non-western firms. One of these was General Dynamics' M1A1 tank coproduction program, which facilitated cooperation on a number of large-scale projects. These include an agreement with United Technologies to co-produce M88A2 tank recovery vehicles in 2005.<sup>278</sup> In 2009, the organization secured another contract with Oshkosh Defense worth about US \$20 million, to produce the M1070 tank transport and refueling vehicle. Most projects were carried out at the Egyptian Tank Factory (Factory 200) where Oshkosh was already co-producing the MTT (medium tactical truck) with the Egyptian army. Further contracts were also secured for the construction of new facilities for depot-level maintenance of military vehicles, as well as for the expansion of existing facilities<sup>279</sup> - among them the program intended to overhaul, maintain and repair HMMVW (military-grade Humvees) worth US\$7 million. Like the M1A1 program, the HMMVW also extended into manufacturing for civilian use through using military equipment to perform maintenance on Hummer civilian vehicles.<sup>280</sup>

Other signs of the organization's growth included a wide range of partnerships with non-western defense firms, ranging from joint ventures with Chinese manufacturers in 2005 (for the coproduction of 120 Chinese K-8E trainer/light attack aircraft) to even

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<sup>276</sup> Rob Ray, "The 3 P's – PFI, Private Equity, and Pensions," *Mute* 2, no. 6, August 9, 2007, accessed June 12, 2015, <http://www.metamute.org/editorial/articles/3-ps--pfi-private-equity-and-pensions>.

<sup>277</sup> Stork et al., "Arms Sales."

<sup>278</sup> Shana Marshall, "Egypt's Other Revolution: Modernizing the Military's Industrial Complex," *Jadaliyya*, Feb 10, 2012, accessed June 21, 2015, [http://www.jadaliyya.com/pages/index/4311/egypts-other-revolution\\_modernizing-the-military-i](http://www.jadaliyya.com/pages/index/4311/egypts-other-revolution_modernizing-the-military-i).

<sup>279</sup> *Ibid.*

<sup>280</sup> Marshall, "New Politics," 17.

larger agreements with Pakistani manufacturers in 2010 for producing the JF-17 multi-role fighter.<sup>281</sup>

Critical readings of the EAF's arms industry include Shana Marshall's (2012) analysis which suggests a decline in the military's arms-industrial complex's ability to expand at a pace that enables it to assume a dominant role in arms export on a regional level. The generals' failure to realize their desire to expand weapons export is made evident by the fact that joint ventures fell short of generating the type of snowball effect anticipated by Abu Ghazalah. Marshall suggests that the main reason for the development of enterprises of this kind is political: in a 2015 piece, she writes on the nature of the coproduction contracts, saying that all U.S government statements on weapons sales to Egypt make clear the absence of offsets involved, contributing to the EAF's arms industry being a source of financial independence for the institution, as the way the system was set up reduces dependence on official channels and instead increases reliance on the sustainability of direct ties between military generals and foreign defense firms.<sup>282</sup> This ensures arms supply and the continuation of profitable defense trade transactions regardless of the incumbent.

Though the enterprises' reputation for poor quality might limit economic gains, the military's expanding arms industry is particularly useful for providing the institution with an independent supply of hard currency. It also generates employment for the institution's engineers, technicians and the unskilled - mostly conscripted - laborers. More importantly, the military's productive activities contribute to its financial autonomy and enhance its institutional reputation. Moreover, the military's economic empire helps steer state subsidies towards the military as a whole, and joint ventures with defense firms allow it to cultivate direct connections with western as well as domestic business actors, regardless of the incumbent.

Nevertheless, the military's access to the formal economy leaves room for select members to acquire personalized direct benefits through the manipulation of trade and industrial contracts in addition to illicit activity.

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<sup>281</sup> Marshall, "Egypt's Other Revolution."

<sup>282</sup> Marshall, "New Politics," 18.

## 5.4 Off-budget Incentives

Here I will explore officers' access to off-budget direct incentives through the military's productive expansion, and examine institutionalized post-retirement packages heavily sanctioned under Tantawi's leadership, as well as other off-budget venues of self-enrichment derived from personnel's access to the formal economy.

By virtue of his close relationship with Mubarak, Mohamed Hussein Tantawi, who was appointed Minister of Defense in 1991, deepened the military's involvement in the economy, but most importantly he expanded the distribution of direct incentives, which at first glance seem to target the most loyal senior officers, in order to secure their support for Mubarak's succession. However, a deeper look at the process of allocation shows that the distribution follows a highly institutionalized pattern, which transcends Mubarak's rule.

The appointment process was highly institutionalized. It is undeniable that loyalty played a major role in the selection process, but Sayigh (2012) explains how post-retirement careers occur irrespective of the incumbent. The institution responsible for the organization of the process is the Administrative Monitoring Authority. The Central Authority for Organization and Administration reinforces the pattern. Established by Article 8 of Law 118 of 1964, the body is responsible for development and reform of the civil service and for "mobilization for the war effort." In reality it fulfills a vital role, beyond the preparation for war, through sending lists containing the names and qualifications of all officers approaching retirement to all cabinet ministers, in order to ensure their placement in second careers.<sup>283</sup>

In line with Sayigh's finding regarding the institutionalization of the post-retirement process, senior officers were granted post-retirement careers in a number of venues within the state bureaucracy according to their degree of specialization. Bou Nassif (2013) and Abul Magd's (2012) exploration of the top tier officer-corps post-retirement careers showed that the placement process includes a high degree of specialization tying the officer's pre-retirement position to the post-retirement career he receives. Bou Nassif argues that officers from specific corps were more likely to fill

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<sup>283</sup> Sayigh, "Above the State," 13.

position in local government than officers in the navy or the air force, who were more likely to enjoy top positions in enterprises.<sup>284</sup> To illustrate, three out five chiefs of staff of the Egyptian navy were placed as presidents of the national navigation company and as presidents of the Suez Canal Authority.<sup>285</sup> Moreover, of all of the Chiefs of Staff of the Egyptian Air Force (a sector particularly favored by Mubarak as he came from it), three were later appointed as ambassadors, one became a governor and the last one was the famous presidential candidate Ahmed Chafiq who was appointed minister of aviation, then prime minister. Chiefs of Staffs of the second and third Egyptian field armies were also granted potentially profitable positions, ranging from directors of the military's largest industrial arm, the Arab Industrial Organization to the directorship of the National Statistics Bureau and Mohamed Tantawi, the tenured minister of defense.<sup>286</sup>

Furthermore, Bou Nassif (2014) looked beyond the top brass to examine the extent to which lower-ranked officers contributed to governors' positions, and discovered that during Mubarak's reign, out of 156 governors, 63 came from the armed forces.<sup>287</sup>

What is more, a wider range of retired officers held an even larger portion of subordinate posts such as deputy governor, director of the governor's office, secretary general and assistant secretary-general of governorates. This whole range is broadly replicated at the lower administrative levels: to highlight the magnitude of post-retirement careers, Sayigh's 2012 analysis went even deeper in the state institutional structure to detect the placement of retired officers beyond obvious strategic positions, exploring positions that include subordinate centers and cities' planning directorships, finance projects, and/or technical and engineering affairs - also stacked with retired military officers. He also examined the quarrying and geological services department and the environmental division in the Sinai and Red Sea governorates (particularly lucrative because of natural resources), which were predominantly staffed by retirees. Retired officers also fill civil service positions at universities, academic boards and research facilities including The Central Agency for Mobilization and Statistics. In addition, they

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<sup>284</sup> Bou Nassif, "Wedded to Mubarak," 523.

<sup>285</sup> *Ibid*, 518.

<sup>286</sup> Bou Nassif, "Generals and Autocrats," 138.

<sup>287</sup> *Ibid*, 154.

fill directorial posts of consumer protection, water regulation associations, public hospitals and sports stadiums.<sup>288</sup>

They also occupy a significant number of posts on the directing boards of a wide range of state-owned public utilities, including the holding companies for aviation and airports, maritime and land transport, electricity, water and sanitation, natural gas and oil industry, and communication (Egypt Telecom).<sup>289</sup> Most importantly, they occupy posts in ministries and agencies dealing with land-related activities: housing, real estate management, public works, agricultural development and reclamation, and tourism. These constitute particularly profitable positions through which they can easily appropriate sales commissions.

The institutionalized process through which the positions are distributed, coupled with the sheer scale of those second career packages, reinforces my initial argument that the development of officer's economic interests did not only target a favored few, but in fact post-retirement careers provided lucrative and prestigious opportunities for a vast number of officers upon reaching a certain age. Therefore, the distribution of economic incentives was attached to the personnel's belonging to the institution rather than a social or a religious group (as in Syria, for example), thus binding personnel closer to the military institution itself, in opposition to the general premise that post-retirement careers tie officers to the incumbent.

Another piece of evidence supporting the premise that no particular minority was the beneficiary of the post-retirement packages, but that the process was part of a whole production line ensuring officers' transition from military careers to second careers, was revealed by Sayigh (2012). He asserted that in order to encourage officers to maintain their loyalty until they reach the post-retirement prized positions, the *Illawat walaa*

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<sup>288</sup> Sayigh, "Above the State," 15-16.

<sup>289</sup> Marshall "Egypt's Generals," 16.



(loyalty allowances)<sup>290</sup> were mainly lavished on the second and third echelons of officers who were not necessarily receiving as high salaries as senior officers.<sup>291</sup>

Officers utilized post-retirement careers in order to carve out their own shares of the economy. Through access to esteemed management positions in the public sector as well as in the bureaucracy, they took advantage of Mubarak's expanded privatization policies in the twenty-first century to appropriate extra funds by selling public properties below market price in exchange for handsome commissions. Bou Nassif (2013) tracked a number of cases involving major generals Sa'd Khalil (former governor of Matruh), Samir Farag (former governor of Luxor), Sayf al-Din Galal (former governor of Suez), 'Abd al-Galil al-Fakhran (former governor of Isma'iliyya), and 'Abd al-Fadil Shusha (former governor of South Sinai). They earned commissions amounting to millions each, which is fitting for the value of properties being sold.<sup>292</sup> This brief overview suggests huge illegal fortunes; nonetheless impunity is the rule, for the cases that became public knowledge are only the tips of the iceberg.

Other venues for direct personalized incentives are associated with generals' involvement in arms deals, especially in relation to the EAF's defense industry. Writing on US-Egyptian arms deals, Bou Nassif (2013) explained the process in which the Egyptian military gets to choose which weapons to buy and is also free to pick where to buy them. Utilizing such privileges, generals cut commissions based on their ability to favor specific companies. Sums from such deals amounted to hundreds of millions of dollars hidden far from legal reach in secret bank accounts abroad.<sup>293</sup> Marshall (2015) detected a similar pattern by showing an incident involving general Abdel Hamid Wasfi, the Chairman of AOI's Kader Factory for Developed Industries (producer of the Mercedes Benz G320), who allegedly accepted a bribe from Daimler-Benz in return for

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<sup>290</sup> The Egyptian state designates a significant sum of money annually for disaster management. The president has authority to spend this money and he so he dedicated a portion of this money to be distributed as loyalty allowances to member of the officer corps. For more detail see Bou Nassif, "Wedded to Mubarak," 526.

<sup>291</sup> Sayigh, "Above the State," 5.

<sup>292</sup> Bou Nassif, "Wedded to Mubarak," 518. The value of properties ranged from \$58.3 million to \$167 million.

<sup>293</sup> *Ibid*, 528. For more detail on corrupt arms deals incriminating military generals see Abd al-Khaliq Faruq, *Iqtisadiyyat al-Fasad fi Misr: Kayf Jara Ifsad Misr wa-l-Misriyyin (1974–2010)* (Cairo: Shorouk International Bookshop, 2011), 53.

his guarantee that the Egyptian military would continue to order supplies from this firm.<sup>294</sup>

#### 5.4 Conclusion: An Overall Assessment of Economic Coup-Proofing in Egypt

This chapter showed the possible effect of an institutionalized military structure on the implementation of economic coup-proofing. Even though many have described the Egyptian military as a ‘black box’, in the past four years there has been a surge in the amount of research attempting to understand the coup-proofing mechanisms of the last sixty years.

Studying the military’s historical development, we looked at how the military reflects the makeup of society because of the systematic implementation of general conscription and the lack of discrimination in military academies’ admission process, as well as the professionalism resulting from US training. This contributes to the rise of an officer corps that identified with the military as an institution and thus is more likely to promote corporate interests than parochial personnel interests. The chapter then explored the implementation of economic coup-proofing with a focus on the reigns of Sadat and Mubarak, when the military was segregated from day-to-day political deliberations.

Even though it is difficult to prove that Sadat and Mubarak relied primarily on budget allocations to garner the military’s loyalty, due to the unavailability of numbers telling us how much the military leadership receive in off-budget incentives - the majority of which are in the form of under the table loyalty allowances and commissions – we were able to see the institutionalized manner with which economic incentives were distributed, whether on-budget or off-budget. The findings showed that budgetary distribution-related decisions were not left to Sadat or Mubarak; rather, the military leadership gained a strengthened role in determining how the funds were spent, seen in the big stride made in the construction of the military’s industrial complex (in the expansion of the military’s armament and civilian manufacturing enterprises). Also, the deterioration in the military’s welfare system despite the steady increase in monies received by the institution suggested that more money was being spent on weapons

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<sup>294</sup> Marshall, “New Politics,” 16.

purchases and/or invested in the expansion of military's economic empire as opposed to personnel benefits, especially considering that Egypt received a handsome sum of military aid that was mainly dedicated to weapons procurement.

In terms of off-budget incentives, the analysis gave us reason to believe that the president's influence on the placement of officers after their military careers was somewhat compromised. Since the 1980s, placement patterns seem to have been increasingly institutionalized, with lists of the names of retiring generals being routinely handed over to ministries for the arrangement of post-retirement packages. Moreover, positions within the military lead to specific posts in the bureaucratic apparatus, showing a form of career specialization independent of the officers' bond (or lack thereof) to the incumbents.

This overview is by no means exhaustive, especially because of the secrecy surrounding the subject. Nonetheless, the apparent expansion in the military's industrial complex suggests that economic incentives were targeted at the institution as a whole. By contrast, the withering of personal benefits among the officers' lower echelons indicates a relative neglect of satisfying personal interest and a focus on satisfying corporate interest. Because of indirect institutionalized coup-proofing, the military's economic and institutional autonomy was enhanced, thus making officers more loyal to the institution than to Mubarak.

## **Chapter 6: How Does Economic Coup-Proofing Work in Communal, Partially Communal and Institutionalized Militaries?**

This dissertation refutes the idea of economic coup-proofing as a monolithic instrument, instead proposing that it differs according to the structural realities of both the societies and the armies that the incumbents rule over. Because of differences in organizational structures, economic coup-proofing takes various routes. To explain this I suggest that historical developments in recruitment strategies create path dependencies according to which the incumbent has to model his personal patterns of economic coup-proofing. By studying the cases of Jordan, Syria and Egypt, the analysis shows that the different historical backgrounds/trajectories gave rise to three varied military organizational structures, creating imperatives for the development of economic coup-proofing models.

Egypt, Syria and Jordan share a number of similar trajectories leading to the implementation of economic coup-proofing in the period studied here, 1970-2010. Even though the state of Jordan did not come into being through anti-colonial military coups like Syria and Egypt, the establishment of the Arab Legion which later formed the Jordanian Armed Forces played a pivotal role in uniting the Transjordanian tribes under one nation-state. This sheds light on the fact that all the militaries in question were saluted for their unparalleled role in state formation. The militaries in all three countries played a significant role in political leadership in the first two to three decades of state-building processes and socio-economic modernization. For instance, in Egypt and Syria, presidents hailed from the military institution. By virtue of being a kingdom, Jordan was never directly run by military men. However, during King Hussein's reign, martial law was enforced which placed considerable political power in the hands of the General Intelligence Agency. Later, in the early 1970s, military officers were prime ministers and resided over cabinets, giving them a distinguished ability to influence political decision-making. Also, the militaries were dominant economic actors, as all three states followed a form of state-led economic development, in which military institutions gained *de facto* roles either in managing state-owned economic enterprises (as in Egypt and Syria) or in being embedded in undertaking civic engagement projects (as in Jordan). Nonetheless,

the regimes eventually saw the strengthening of ruling parties and political leaders (presidents in Egypt and Syria, kings in the case of Jordan) vis-à-vis the military apparatuses and the subsequent separation from day-to-day political management. However, the militaries retained weighty roles in regime protection as the incumbents continued to rely on their respective militaries to quell internal conflicts. Incidents include the Jordanian army to suppress the Palestinian insurgency in 1970, the Syrian military's role in countering a Muslim Brotherhood uprising in Hama in 1982 and the Egyptian military's suppression of bread riots in 1977 and a revolt of the Central Security Forces in 1986.

Aiding the military's withdrawal from day-to-day political decision-making, the economic situation began to change through a process of economic liberalization and privatization. Though it was slower in Syria and Jordan than in Egypt, in the course of economic liberalization all three cases adopted structural adjustment policies, which cost militaries a substantial share of their economic prowess, sanctioned under etatist policies. Moreover, later neo-liberal economic policies ate away at militaries' welfare systems. Privatization also caused economic privileges to shift away from the military institutions and towards the new economic elites who dominated the private sector and were wedded to the now consolidated authoritarian regimes: the Palestinian Jordanians, a handful of Sunni elites in Syria and the business elites in Egypt. To subordinate military institutions, economic coup-proofing was implemented. To assure the system's maintenance and to help military institutions cope with rotations of power within the elite, incumbents in Syria, Egypt and Jordan devised distributive recipes to buy off officers' loyalty; this will be comparatively analyzed in this chapter.

Other similarities include rentierism and state capacity to control the military's access to budget resources. All three cases are considered semi-rentier economies. Full-fledged rentier economies (as in Kuwait, Saudi Arabia, and Qatar) arise from states' principal dependence on the sale of oil on the international market. Hazem Beblawi described semi-rentier states as "those that rely on external rentism on a more limited fashion. Instead of oil, semi-rentier countries usually depend upon foreign aid or workers' remittances as their main sources of rent."<sup>295</sup> This means that all the three cases are more

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<sup>295</sup> Hazem Beblawi and Giacomo Luciani, *The Rentier State* (London: Croom Helm, 1987), 22.

or less of similar standing in terms of their financial ability to provide funds needed for economic coup-proofing.

There are no substantial differences in the degree of state capacity to control the military's access to economic resources, for in all three cases, the budget is confidential. Civilian control is also very low, as can be seen in the legislature's diminished role in budget control, suggesting a weak state capacity to control the military's access to economic resources; the power is vested instead in the military leaders and incumbents.

The main differences between the three cases pertain to military organizational structure and social composition. In Syria, the divide-and-rule tactic had already been implemented by the French, leaving behind a legacy of sectarian divides in the military recruitment policy, whereas the Egyptian military fared well, as it had undergone a long process of professionalization in which a military identity which promoted general conscription, meritocracy and equal opportunity regardless of race and class was created. Jordan presents a special case of drastic demographic changes from Palestinian absence to Palestinian influx from the 1950s onwards, with a military constituency that never reflected the ratio of Palestinians/Palestinian Jordanians in the population. The maximum representation they received was 15 percent of the officer corps (in 2011) when they actually formed up to at least 40 percent of the total population (according to the U.S. State Department).<sup>296</sup>

With these varied historical backgrounds, the Egyptian incumbents: Nasser, Sadat and Mubarak built upon the already enshrined general conscription policy, which ensured the social heterogeneity of the rank and file and the Non-Commissioned Officers (NCOs). They also preserved the social heterogeneity of the officer corps through non-discrimination in the acceptance of career soldiers (aside from criminal history). Moreover, the Egyptian military applied meritocracy to determine promotions. This resulted in the development of an institutionalized military with a-communal traits (no ethnic or blood ties in recruitment). Following the path-dependent networks built by minority recruitment during the French Mandate, the Syrian military was fertile ground for the Assad regime to use targeted recruitment to enhance the existing sectarian divides,

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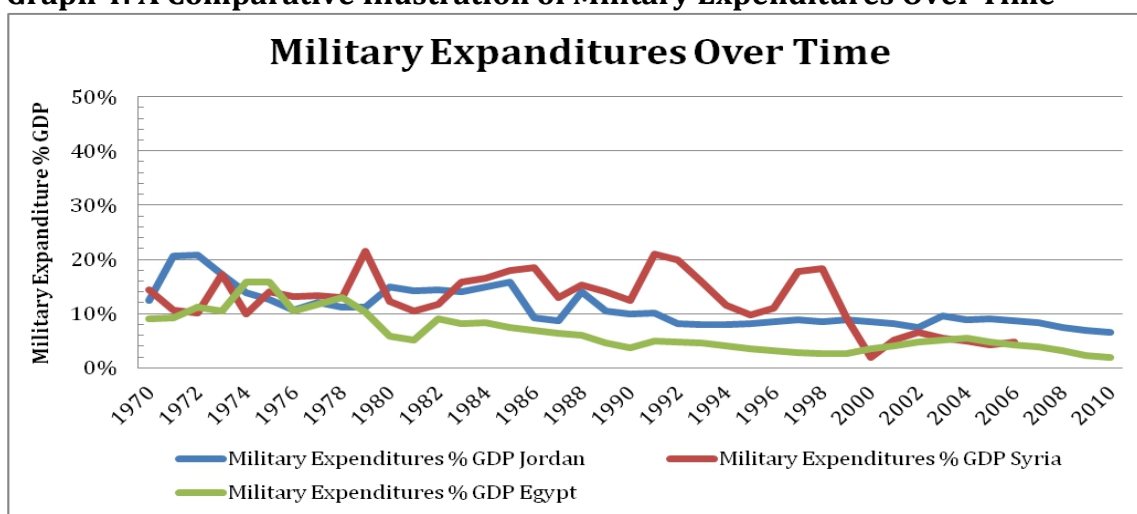
<sup>296</sup> U.S. Department of State, U.S. Bureau of Democracy, Human Rights, and Labor, "Jordan: Country Reports on Human Rights Practices, 2001," <http://www.state.gov/j/drl/rls/hrrpt/2001/nea/8266.htm> (accessed July 1, 2015).

contributing to the development of a partially communal military organizational structure in which the officer corps is dominated by members of the Alawi sect, while the majority of the rank and file were Sunni, thus forming an ethnic shield of Alawi officers who were personally loyal to Assad Sr. and later supported Assad Jr. The Jordanian Defense Forces display a special case where the officer corps is primarily drawn from Transjordanian tribes who historically supported Hashemite rule. Hussein abolished general conscription, thus facilitating the role that nepotism and tribal ties play in the acceptance of career soldiers, and by restricting the Palestinian element to around 15 percent of the military's manpower, he created the organizational structure of a communal military.

Comparing economic coup-proofing in Egypt, Syria and Jordan is intriguing because, though patronage was distributed through a mix of indirect institutionalized and direct personalized economic coup-proofing strategies, the overall distributive processes took entirely different paths. In the cases of Egypt and Jordan, the militaries predominantly relied on indirect economic coup-proofing in the form of budget allocations and the development of military industrial complexes with expansive productive activities that contribute to institutions' organizational autonomy. On the other hand, the Syrian military's economic coup-proofing takes the form of personalized direct incentives drawn from military personnel's heavy engagement in illicit activities such as the smuggling trade and illegal currency dealings.

## **6.1 Analysis of Economic Coup proofing in Egypt, Syria and Jordan**

The starting point of analyzing economic coup-proofing is military expenditures as a percentage of GDP (see Graph 4). Finding out how much of the overall national product goes to the military institution is the first step toward understanding conventional civil-military relations. In a setting where this one number is representative of the institution's actual share of the national budget, looking into this number can help us determine the value of the institution within the political machine and its functions. It can also provide insight into the overall civil-military relations. However, the cases at hand are far from giving us an ideal picture, for the budgets available to the public are mere estimates – conflicting reports at times – generated by a number of entities.

**Graph 4: A Comparative Illustration of Military Expenditures Over Time**

**Source:** World Military Expenditures and Arms Transfers reports (WMEAT)

The military budgets of the cases at hand describe the funds that are dedicated to military spending. Nonetheless, they give us little to no information about other sources of military incomes including government subsidies, military aid, and revenues from productive activities; most importantly, budgets tell us nothing about alternative means of self-enrichment available for military personnel, whether it be post-retirement funds in Egypt, commissions on arms deals in Jordan, or the black market in Syria.

Therefore, in order to generate a comprehensive picture of economic coup-proofing, this chapter addresses all of the named sources from which military institutions can extract funds. It will compare military expenditures as a percentage of GDP in an attempt to examine trends in the allocation of funds and thus show that the institutionalized Egyptian military dedicates bigger percentages to military spending than communal and partially communal militaries in Jordan and Syria respectively. The reason I expect such a result is because the Syrian and the Jordanian militaries possess more clear in-groups, receiving greater amounts of money through hidden and illicit means, than in Egypt, where such ethnically devised lines are absent.

In all three cases, the military used a considerable share of expenditures. They also received sizable military aid packages from their patrons, satisfying corporate interests through vast contributions to arms procurement, operation and maintenance costs and training. In Egypt, we see a rising trend that lasted for just under a decade



leading up to the year 1979 peaking at 15.9% in 1973 and 1974. This particular elevation in military expenditures can be explained by pointing to preparations for war that started in the late 1960s and went on even after the 1973 war, as in the following five years Egypt went through a military modernization phase whereby they upgraded and replaced all equipment damaged during the war. In this phase, the military procured large quantities of arms from US manufacturers. However, after the signing of the Camp David accords in 1979 expenditures as a percentage of GDP gradually decreased. This is not to say that the military lost a portion of its funding but rather that the Egyptian military acquired an alternative source - US military aid consisting of around \$1.3 billion a year.

In Jordan and Syria, budget allocation differs significantly from the Egyptian experience. In Jordan more military expenditures are spent as a percentage of GDP than in Egypt: during the period between 1970 and 1975, the military got at least 12.5 % of GDP, peaking at 20.8% in 1972. This can be explained by the guerilla war with the PLO in 1970, a threat that demanded higher combat preparedness and thus elevated military expenditures. But expenditures remained at quite a high percentage throughout the 1980s, decreasing gradually from 1992 on – accompanying peace negotiations and the signing of peace agreement with Israel in 1994. Expenditures held steadily from 10.1 percent in 1991 to 6.5 in 2010 within a period of 20 years. Like Jordan, the Syrian military received a minimum of 9.2 percent of GDP between 1970 and 1975 with a peak of 15.9 percent a year after the 1973 war, a fact which can be explained by the common threat present in all three cases. Unlike Egypt and Jordan, though, Syria experienced another peak at 21.6 percent in 1979 - explained by growing Muslim Brotherhood hostility, which led to the violent confrontation in the early 1980s. Also, through its support for the joint US-Saudi initiative against Iraq, Syria gained about US \$2.5 billion<sup>297</sup> in assistance, which could have contributed to another expenditure hike in 1991. Following this elevation, military expenditures as a percentage of GDP decreased gradually to reach 4.8 percent in 2007.

Thus we can see that threat level plays a dominant role in explaining sudden elevations in military expenditures. With the exception of these elevations we can argue that, contrary to the initial hypothesis, Jordan and Syria have a higher military spending

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<sup>297</sup> Ray Moseley, "Syria's Support of U.S. in Gulf War Paying Dividends," *Chicago Tribune*, March 12, 1991, accessed June 3, 2015, [http://articles.chicagotribune.com/1991-03-12/news/9101220963\\_1\\_syria-president-hafez-assad-peacekeeping-force](http://articles.chicagotribune.com/1991-03-12/news/9101220963_1_syria-president-hafez-assad-peacekeeping-force).

than Egypt. However, the estimated budgets also show that all three countries share a common trend: the period between 2000 and 2010 witnessed stability military spending as a percentage of GDP, at levels that were quite low relative to the previous thirty years. This was a period of low threat levels; at the same time it could indicate a form of economic coup-proofing that worked well, considering not only the reduction in military expenditures as a percentage of GDP but also the absence of coup incidences.

Building on the fact that military spending as a percentage of GDP decreased over time in all three cases, this section explores the channeling of patronage through money-generating productive activities. Relying on secondary sources, I assess the forms of productive activities as well as their growth and decline. During the four decades studied here, all three countries witnessed the establishment of military-business economies, though the nature of such activities differed, as did the corresponding incumbent-officer relations. Military-industrial complexes were strengthened in Egypt and Jordan, but weakened in Syria.

In the mid-1970s, Sadat forged a new economic role for the military by making it an owner and manager of economic enterprises. Later, in the early 1980s, Mubarak and Abu Ghazalah expanded the military's role in both the civilian economy and the arms industries. Even though the military's exact share of the economy remains disputed, its outreach in terms of production of small arms, tanks, ammunition, and consumer goods, and in the agriculture, construction and service industries, indicates extensive depth.

Establishing the military economy helped the regime channel funds by allowing the military to act as a profit-seeking corporate body. Through this Institutionalized Entrepreneurial Model, the military could go beyond public sector enterprises to tap into a growing pool of private sector funds, undertaking joint ventures (as with the Kharafi group) and thus gaining a source of income independent of the incumbent. Another important aspect of this model is that it generates executive positions for both active and retired generals, and gives young graduates of military academies profitable job opportunities. Military enterprises also offer employment prospects to unskilled labor forces made up mostly of conscripts.

Jordan joined the Institutionalized Entrepreneurial Model much later than Egypt. King Hussein laid the foundation by establishing the Directorate of Housing and Military

Workers, which had a limited role in civilian construction projects. King Abdullah II, however, upgraded the military economy to become a full-fledged military-industrial complex. Initiating The Arabian International Construction and Contracting Company (AICC) and the Ultimate Building, Manufacturing and Development Company (Sharaket Al-Qima Lel-tasnee'e wa Tatweer Al-mabany), Abdullah opened the door for large-scale military involvement in construction. Moreover, he helped establish the KADDB (King 'Abdullah II Design and Development Bureau), which paved the way for the military's development of an independent arms-industrial complex. The KADDB made the JDF into a rising weapons exporter in the region. Creating executive positions for senior officers and employment prospects for graduates of military academies, military enterprises helped support the military as an institution.

In these two cases, personal bonds with the incumbent played a minor role in determining the distribution of economic incentives. In Syria, on the other hand, communal ties with Assad were decisive in organizing patronage distribution patterns. With the military organizational structure based on Alawite domination of the officer corps, Assad's economic coup-proofing model favored the Alawite officer in-group. The Syrian military's industrial complex dates back to when Assad came to power in the early 1970s. However, it did not survive, as it received little to no preferential treatment, as opposed to the Egyptian and the Jordanian cases. Utilizing the dying industries to distribute targeted economic incentives, Assad appointed Alawite loyalists or people with direct ties to himself (people from his hometown, for example), in key executive positions through which they could accumulate wealth from the sale of such enterprises in exchange for handsome commissions.

Assad's wealth-allocation strategy included turning a blind eye to illicit activities. The Syrian military expanded its economic activities to areas like drug trafficking, currency dealings, and smuggling, from which it reaped tremendous profits. Through placing certain Alawite-dominated brigades as well as Alawite officers at the border with Lebanon, Assad utilized the military's access to illicit markets to steer funds towards his loyal guard of Alawi officers.

The Egyptian and Jordanian militaries also have their dark sides. For instance, military men take commissions from corrupt arms sales. Then there are Egyptian

officers' second careers, organized and executed through an institutional setup that maintains officers' access to such positions regardless of Mubarak's time in power. Jordanian officers take part in business protection deals in which they offer privileges and business opportunities to a handful of local as well as foreign businessmen, in return for a good cut of the overall profits.

## 6.2 Conclusions

It is neither communal ties, nor an army's professionalization, nor the decline in military spending as a percentage of GDP, which guarantee the development of a certain form of economic coup-proofing. Rather, it is the way in which personal bonds of loyalty with the incumbent are incorporated in the distribution of economic incentives. Whereas Syria and Jordan both have communally-guided methods of distribution, the analysis of economic coup-proofing in Jordan and Syria as similar cases showed that economic coup-proofing in Jordan bears more resemblance to that of Egypt.

The main explanation for this similarity regarding economic coup-proofing in Egypt and Jordan is that the level and the form of communality play a role in determining the technique, implementation and execution of economic incentives. Communality in Jordan and Syria differs along two main lines. One major distinguishing factor is the nature of communal ties between the incumbent and the military elites.

On the one hand, Assad relied on his own religious sect, more certain of their loyalty as the regime's vanguard and of their acting as a buffer between the regime and the internal threat from the sometimes hostile Sunni majority. Assad's ascendance to power in 1970 was a result of the Alawites' clever strategizing to dominate the military and through it seize control of the political arena. Thus the continuation of Assad's rule not only represents a victory for the Alawis, but also protects them against the Sunni majority.

In Jordan, on the other hand, the Hashemite kings lack a communal tie to the Transjordanian tribes on which the Hashemite rule depends. Unlike Syria, the Transjordanian military's main function was to police other Transjordanian tribes and with the rise of Palestinian militancy, their role evolved into one of fighting the Palestinian out-group, but they have been pacified ever since the violent confrontation of

Black September in 1970. From then on, the Transjordanians themselves had been the cause of discomfort for the regime as they gradually started opposing Hashemite policies towards Palestinians. Therefore, the underlying logic of communal recruitment for relying on one group varies in the two cases. Communal ties were even shakier under Abdullah who, despite deriving a certain legitimacy from his bloodline (as a descendant of the Prophet Muhammad), was perceived as an outsider on account of his having grown up outside Jordan, his imperfect command of the Arabic language and his apparent closeness to the Palestinians (his Palestinian wife Queen Rania and her family aside, his clique and advisors were overwhelmingly of Palestinian origin).

The scale of communality differs, and thus the magnitude of the in-group within the military institution varies. In Syria, the Alawi sect constitutes 12 percent of the population, hampering the feasibility of a majority Alawi military and necessitating coup-proofing to create a more personalized direct distribution. In Jordan the Transjordanian tribes make up 40 to 50 percent of the total population, and so their eagerness to protect their domination of the military translates to blocking all possibilities of Palestinian recruitment – resulting in Palestinian representation in no more than 15 percent of the institution (as in the period following the implementation of general conscription and the Darak forces).

In a nutshell, the organization of the Jordanian military resembles Egypt more than Syria, as the communal scale is so large that it overturns the initial premise of the obvious divides, causing more direct personalized coup-proofing. This suggests that the deeper the communality, the more homogeneous the military – leading to convergence rather than divergence in economic coup-proofing technique.

## Chapter 7: Conclusion

### **How Does the Variation in Military Organization Affect the Implementation of Economic Coup-Proofing?**

The focus of the research was concerned with the ways in which military organization can influence the technique, execution and distribution of economic coup proofing. It has been argued that the historical path-dependencies of military organizational structure have not been adequately accounted for in the study of coup proofing and thus the effect that the development of in-groups and out-groups has on the allocation of economic coup proofing has been ignored.

#### ***Identifying military organizational structures***

Depending on the available sources outlining recruitment patterns in my three cases, I examined the development of military organizational structures. With military organization defined as the extent to which ethnic ties, bloodlines and tribal connections are used to guide officer recruitment, I distinguish between communal and institutionalized (non-communal) militaries. This dissertation identified the Syrian military as communal (because of the historical and systematic favoritism of Alawi recruitment in the officer corps). Likewise, the Jordanian military was identified as a communal, as East Bank tribal ties dictated the acceptance of applicants into military academies. Egypt, by contrast, was identified as having an institutionalized military on account of the persistent adherence to general conscription and meritocracy as the main determinants for recruitment and promotion processes.

#### ***Varied Military Organizations and Patterns of Economic coup proofing***

The first hypothesis claimed that military expenditures as a percentage of GDP will be higher in Egypt than in Jordan, with Syria lying somewhere in the middle. However, findings showed that Syria and Jordan spent more on their respective military institutions than Egypt. This particular finding gave rise to the consideration of threat level as a factor determining elevations in military expenditure. However, the assessment of the allocation

of military expenditure showed that a portion of the budget (varying according to the size of the military) was used in all three cases to cater to some sort of military welfare system that supplied exclusive benefits such as subsidized housing, cars, healthcare etc.

Nonetheless, the research showed that all three cases experienced a gradual decline in military expenditures as a percentage of GDP, coupled with a deterioration in personnel benefits, particularly in the period between 1999 and 2010 – indicating a shift of focus from garnering military loyalty using budget allocation to another source of economic incentives.

This brings me to the second hypothesis, which differentiated between indirect-institutional and direct-personalized forms of coup-proofing. I argued that in extension of the development of clear in-groups in the communal cases of Jordan and Syria, incumbents utilize ethnic divides to bid certain in-groups against the out-group by favoring the specific in-group with direct personalized incentives. In Egypt, the blurriness of ethnic lines stimulates the rise of indirect institutional forms of coup-proofing.

The examination of economic coup-proofing in Egypt showed an obvious focus on developing the military-industrial complex which expanded under Mubarak's rule, particularly in the last ten years. While the military-industrial complex generated returns for the whole institution, other forms (off-budget post-retirement careers, loyalty allowances and commissions on arms deals catering to top-tier officers), were also on the rise. Yet, the institutionalization of the off-budget incentives meant that to a great extent the allocation process functioned independently of the incumbent, supporting the earlier premise that the Egyptian military functioned as a corporate body even when it came to the distribution of personalized incentives.

In contrast to the initial hypothesis, the examination of economic coup-proofing in Jordan revealed that there was a move away from Hussein's budget-oriented method of economic coup-proofing in the late 1990s. King Abdullah authorized the shift to a strategy that resembled the Egyptian case, wherein the military both owned and managed its autonomous economic organization, thus empowering the military as a corporate body instead of economically enhancing a targeted in-group.

In line with the hypothesis, personal and ethnic ties guided economic coup-proofing in Syria. The analysis exhibited that those illegal off-budget incentives

overshadowed budgetary indirect rewards facilitated by existing networks between the Alawi in-group members. Initiated under Assad Sr. and continued under the rule of Assad Jr., officers with direct connections, either ethnic or personal, to the incumbent were lavished with privileged positions allowing them to accumulate wealth through smuggling, currency dealing and business coverings. This meant that unlike the cases of Egypt and Syria, the military in Syria is financially dependent on the durability of the Assad regime.

***How does this variation influence the military as an economic actor?***

As argued by Sorenson (2007) militaries in developing states often see themselves as “high modernizers” who “placed a premium on science and technology” and so their involvement in the economy is almost always embedded in their historical development. However, as we have seen, the segregation of military institutions from the political arena involves a subsequent economic policy outlining the role that the institution plays in the economy. These cases showed that permitting the militaries to build economic enclaves allows them to take up an institutionalized entrepreneurial role whereby the military institution itself behaves as a profit-seeking corporation. In the case of Syria, the deterioration of the military-industrial complex and its replacement with personnel’s heavy reliance on illegal deals reduces the military’s role to spoils collectors, seeking to advance personal interest of the Alwaite in-group.

This examination of economic coup-proofing in Egypt, Jordan and Syria showed that ultimately the process leads to the practice of some sort of exclusivism - whether of an ethnic kind as in Syria, or of an institutional nature as in Egypt and Jordan. The real difference between the two is that communal exclusiveness delves into societal divisions, privileging one ethnicity over others, whereas economic coup-proofing of the kind found in the Egypt and Jordan sets the military institution as a whole above all other public institutions, thus privileging its personnel in comparison to other public servants. The most important conclusion here is that the main goal of these institutions varies according to the form of exclusivism. *Communally* exclusive militaries hold the goal of upholding the supremacy of their ethnic leadership in order to maintain a position of privilege, which could overshadow the institution’s corporate interest in favor of the in-group’s



personal benefits. In contrast, *institutionally* exclusive militaries aspire to maintain their economically privileged situation vis-à-vis other state institutions and other private actors.

The concurrence of economic coup-proofing in Egypt and Jordan also brings to light the fact that the presence of in-group and out-group dynamics within communalism is essential, such that communalism on its own matters but it is not a sufficient condition to explain the variation in the distribution of economic benefits. This is especially evident in the Egyptian case where we witnessed the development of various cliques within the military who shared a strong common identity along with a corresponding material privilege without the communal factor being present. Examples of such cliques are the Free Officers and later General Abdel Hakim Amer and his surrounding “*Shila*” and on a more limited scale the members of the SCAF during the last decade of Mubarak’s rule. This emphasizes the various group-formation mechanisms that could include organizational factors, societal dynamics, rank and age.

The close examination of the military organizational structures in the cases at hand highlights a number of problems associated with the designation “Institutionalized”, which was operationally utilized here to refer to the Egyptian military. A major issue becomes apparent, which is the fact that by describing the Egyptian military as institutionalized, by default, I declared the Syrian and the Jordanian ones as uninstitutionalized. This is not necessarily true, especially for I highlighted the systematic nature of discriminatory recruitment patterns in both cases. One can easily argue that the Syrian military is institutionalized; however, the Alawite-dominated officer corps functions as an informal institution within itself. As we have seen in countless examples, informal institutions pertain to specific group-formations within formal military institutions and are also capable of engendering particular material interests.

### ***Limitations***

The limitations of this study were mainly related to the unavailability of data in addition to the uncertainty attached to the existing data. A major drawback of studying military expenditures in the MENA region is that disaggregate budgets are unattainable and therefore it is near-impossible to derive concrete information about aspects such as

personnel costs, arms purchases etc. The available empirical data are limited to lump sums estimated by foreign entities such as the International Institute for Strategic Studies, the Stockholm International Peace Research Institute, Jane's Defense Budget, US Arms control and Disarmament Agency, etc. At the same time, the majority of these sources contain a number of grave problems in the form of missing data, and uncertain numbers – as far as discrepancies for the same year that vary in the millions.

Another set of limitations was related to the sensitivity of the topic and the related challenges to conducting field research. Militaries in the states in question are surrounded by secrecy and confidentiality, which contributes to the difficulty of acquiring primary information, and thus studies of this nature rely primarily on such “grey” data as news articles, wikileaks documents and secondary sources to assess the extent of militaries' involvement in business activities.

### ***Future research***

The research conducted here can be useful in opening doors for future research. One important factor to be considered is the possible variation in the influence of British colonialism versus French colonialism in fostering professional values pertaining to the development of institutionalized militaries (as in Egypt) as opposed to communal ones (as in Jordan and Syria). This could include questions pertaining to training of personnel and the indoctrination of officers, which students can research through looking at the evolution of military academies' curriculums in former British colonies comparison to former French colonies.

Another question concerns the extent to which external powers and patrons can affect the course taken by MENA militaries as economic actors. One prominent tool in the hands of external patrons is military aid: in all three cases, military aid was a major source contributing to military budgets. However, Egypt and Jordan depended largely on the US FMF, while Russia was Syria's major military sponsor. In Egypt and Jordan, the militaries built economic enclaves partially using US military aid; Syria did not. The question arises: What role does military aid play in the development of economic coup-proofing in the MENA region?

This study can also be used to address deeper problems in the coup-proofing literature as a whole. My main point was that the process of coup-proofing is best studied as a number of distinct mechanisms sensitive to structural realities. The following question can be posed: How do the different coup-proofing mechanisms contribute to the effectiveness or ineffectiveness of the overall coup-proofing process? This is a complex puzzle that requires a clear separation between the mechanisms and the development of a success/failure threshold, which can prove very useful to the evaluation of coup-proofing. A possible way of tackling this problem can be through performing a large-N study compiling information on how often each mechanism is used in each case (keeping in mind differences in military organization) and its effect on coup incidences.

A further analytical lens through which coup-proofing can be studied is the mechanisms' applicability to different regime types. For instance, a study of coup-proofing in monarchies versus republics could illuminate the reasons for fewer coup incidences in Arab monarchies than in Arab republics.

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