

Appendix 10E. Military expenditure in the Middle East after the Iraq war

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I. Introduction

Military expenditure in the Middle East¹ increased in 2003 by almost 10 per cent in real terms, which was more than twice the annual average rate of the previous nine years of the 10-year period 1994–2003 (see appendix 10A, table 10A.1).² This could give the impression that the Iraq war had a significant impact on total Middle East military expenditure in 2003. This may not necessarily be so, for the following three reasons. First, regional military spending in the Middle East has fluctuated considerably throughout the 10-year period 1994–2003, without an obvious link to the region's immediate security requirements. For a region with one of the highest military burdens in the world, an annual increase of 10 per cent is not unusual for regional spending in the Middle East.³ There was a similar rate of increase in 1997, and in 2000 regional military spending increased by 15 per cent in real terms (appendix 10A, table 10A.1), influenced primarily by increased oil revenues.

Second, the increase in 2003 was by no means universal within the Middle East region but is rather accounted for by the trend in two countries—Iran and Kuwait—both of which have contiguous borders with Iraq, while Kuwait participated in the war. Their military spending increased by 25 per cent and 36 per cent, respectively, in real terms in 2003 (table 10E.1). Bahrain also increased its military expenditure significantly in 2003, but this did not have any impact on the regional total since in a regional perspective Bahrain's defence budget is small. The region's biggest spender, Saudi Arabia, increased its military expenditure only marginally. Israel, the region's strongest military power, considered the situation in Iraq in making a major policy decision to cut its military expenditure level. Thus, reactions to the war in Iraq varied, depending largely on the perceptions in each country of the threats which the war posed to its existence. It should be noted however, that there were other influences on military spending patterns than the Iraq war.

Third, a comparison of 2003 with the 1991 Gulf War provides some insight into the dynamics of the trend in 2003 and in the next few years. The 10 per cent increase in

¹ According to the SIPRI definition, the countries in the Middle East are: Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates and Yemen.

² Data on military expenditure in the Middle East are not readily available, and the available data suffer from reliability problems resulting from official secrecy and lack of transparency in the budget process. This discussion is limited to countries for which data were available in 2003. While states such as Egypt and Syria are important in any discussion of military spending in the Middle East, the lack of data (in the case of Egypt) or lack of sufficiently reliable data (in the case of Syria) prevents their inclusion in the discussion in this appendix. Note also that the trends discussed here refer to the spending by the countries in the Middle East; for a complete picture of military spending in the Middle East, one would have to add spending in the region by countries from outside the region (military aid and foreign military presence).

³ For countries with the highest and lowest military burden in the world see chapter 10, table 10.3. Seven of the 14 countries in the Middle East, according to the SIPRI definition, fall into the category of the countries with the highest military burden.

Table 10E.1. Military expenditure in the Middle East, 1989, 1990–91 and 2001–2003^a

Figures are in US \$m., at constant (2000) prices and exchange rates. Figures in italics are percentages. Figures do not always add up to totals because of the convention of rounding.

Country	1989	1990	% change			2002	2003	% change 2001–2003
			1991	1990–91	2001			
Bahrain	211	230	250	+ 9	334	330	456	+ 37
Egypt	2 804	2 761	2 785	+1	2 643	2 766	–	–
Iran	4 262	4 932	5 147	+ 4	[14 609]	[15 369]	[19 189]	[+ 31]
Iraq	–	–	–	–	–	–	–	–
Israel	7 548	7 889	7 570	– 4	9 044	10 518	9 981	+ 10
Jordan	602	524	513	– 2	744	750	[798]	[+ 7]
Kuwait	2 740	10 573	13 780	+ 30	3 020	3 547	4 834	+ 60
Lebanon	–	1 017	515	–49	921	800	798	– 13
Oman	1 778	1 997	1 654	– 17	2 453	[2 536]	2 723	+ 11
Qatar	–	–	–	–	–	–	–	–
Saudi Arabia	14 679	14 690	28 018	+ 91	21 188	18 704	19 102	– 10
Syria	3 064	2 840	4 592	+ 62	[5 315]	[5 366]	[5 930]	[+ 12]
UAE	3 045	2 992	2 861	– 4	2 349	2 466	2 549	+ 9
Yemen	–	612	573	– 6	[477]	600	–	–
Total Middle East	–	51 057	68 258	+ 34	63 097	63 752	[70 059]	[+ 11]

^a Military expenditure data for most countries in the Middle East suffer from chronic unreliability owing to a lack of transparency and to official secrecy. The available statistics are official data and may not necessarily represent all expenditure for military purposes.

Source: Appendix 10A, table 10A.1 and 10A.3; and the SIPRI military expenditure database.

2003 does not come anywhere near the sharp increase in military spending witnessed in the region in the early 1990s as a result of the 1991 Gulf War. In 1991 military spending by the Middle East countries increased by 34 per cent. By comparison, the 2003 US-led war on Iraq has had a limited general impact on military spending in the region. One important explanation for this is the general ambivalence of most Arab leaders towards the war in Iraq: on the one hand, wishing the United States to fail for having launched the war unilaterally and ignoring the preferences of important regional partners; and on the other hand, fearing the consequences of a failed US mission in Iraq, especially if the Islamist groups were to gain ascendancy in the country.⁴ Two additional explanations could be advanced for the limited rise in spending in spite of the war: (a) most Arab countries did not participate in the war

⁴ See MacFarquhar, N., 'Arabs are of two minds in Iraq', *International Herald Tribune*, 29 Oct. 2003, pp. 1, 5; and Kahwaji, R., 'Saddam's capture rattles many Arab leaders', *Defense News*, 22 Dec. 2003, pp. 1, 33. For an analysis of how US policy on the Middle East contributes to this ambivalence see Hamontree, G., 'The Middle East: operational victories and strategic setbacks', *Armed Forces Journal*, Jan. 2004, pp. 46–49. For Iraq's neighbours' fears of the consequences of instability and division in the country for the region see 'Saudi envoy alarmed over Iraq partition possibility', *Gulf News* (Internet edn), 13 Jan. 2004, URL <<http://www.gulfnews.com/Articles/News.asp?ArticleID=107900>>; Bekdil, B. E., 'Syria, Turkey find common ground on Iraqi Kurds', *Defense News* (Internet edn), 7 Jan. 2004, URL <<http://www.defensenews.com/story.php?F=2534069&C=mideast>>; and Atlantic Council of the United States, 'US challenges and choices in the Gulf: Turkey, Iraq and regional Security', *Policy Brief*, no. 12 (21 July 2003). On the war in Iraq see chapter 2 in this volume.

and so did not need to pay for the cost of participation; and (b) most countries in the region have invested heavily in military hardware since the end of the 1991 Gulf War, with some of them having difficulties to absorb more military equipment.

II. Iraq and its neighbours

The belligerent nature of the Iraqi leadership under Saddam Hussein since 1979 ensured that the country was a constant source of instability in the region. Saddam Hussein had hegemonic ambitions and was ready to pursue them, using the national resources at his disposal, including major holdings of advanced weapon systems supplied mainly by the Soviet Union but also by major arms-producing countries in the West.⁵ Under him, Iraq fought a devastating war with Iran in 1980–88 and fought a US-led coalition in 1991 after the invasion of Kuwait in August 1990. Prior to this, Saddam also asserted claims to Saudi territory. Iraq's military power was seen as a threat by most states in the region, and Saddam's suspected possession of weapons of mass destruction was perceived by the United States as a likely justification for other Gulf states to aspire to acquire the same capability.

The use of chemical weapons against Iraq's own citizens and against Iran in the 1980–88 Iraq–Iran War as well as the firing of missiles at both Israel and Saudi Arabia during the 1991 Gulf War show that Saddam Hussein was prepared to use every weapon at his disposal when at war. The wars fought with Iran and the US-led coalition forces that liberated Kuwait, together with the general antipathy of all Arab countries towards Israel, have been identified as the main factors that triggered the massive investment in weapons by the Gulf states from the 1980s,⁶ as most states sought to enhance their military capabilities through weapon acquisitions and military alliances with major powers. The United States, which is the main ally of most of the states in the region, introduced its dual containment doctrine in the 1990s, aimed at preventing either Iraq or Iran from dominating the region.⁷ Consequently, the USA supplied a large volume of weapons to the Gulf states, especially Bahrain, Kuwait, Saudi Arabia and the United Arab Emirates (UAE).⁸

From 1998, however, while most regimes in the region still perceived Iraq under Saddam Hussein as a threat, a new, more sympathetic attitude towards Iraq began to emerge among the Arab states. The main reason for this was the belief of several governments and among their populations that the constant air strikes on Iraq by US and British forces trying to enforce compliance with the 'no fly zone' imposed on the Iraqi regime as part of their containment policy were no longer justifiable in view of the then already weakened military power of Iraq. At the same time, the continuing international economic sanctions against Iraq were seen as ineffective and in need of

⁵ Anthony, I., 'The trade in major conventional weapons', *SIPRI Yearbook 1989: World Armaments and Disarmament* (Oxford University Press: Oxford, 1989), pp. 194–225, in particular table 6.1, p. 196, and appendix 6B, pp. 253–54. See also Anthony, I. and Wulf, H., 'The trade in major conventional weapons', *SIPRI Yearbook 1990: World Armaments and Disarmament* (Oxford University Press: Oxford, 1990), pp. 119–249, in particular from p. 230.

⁶ Kawach, N., 'Saudi budget reels under heavy defence spending', *Gulf News* (Internet edn), 13 Dec. 2003, URL <<http://www.gulfnews.com/Articles/News.asp?ArticleID=105368>>.

⁷ Matri, M., 'The balance of forces', eds S. Brom and Y. Shapir, *The Middle East Military Balance 1999–2000* (MIT Press: Cambridge, Mass., 2000), p. 23.

⁸ See, e.g., Anthony, I. *et al.*, 'The trade in major conventional weapons', *SIPRI Yearbook 1992: World Armaments and Disarmament* (Oxford University Press: Oxford, 1992), pp. 271–301, in particular table 8.4, p. 284.

review, as they were hurting average Iraqis more than the targeted Iraqi regime.⁹ This more sympathetic Arab public opinion, and to some extent, official Arab position, in support of a review of international economic sanctions against Iraq found another rallying point in the developments after the 11 September 2001 attacks on the USA, in which mostly Arab nationals were implicated. The perception in the Arab world that they were being singled out as scapegoats by the USA and its allies in the war coalition (especially the UK and, to a lesser degree, Italy and Spain) and the strained relations between the USA and one of its biggest partners in the Arab world, Saudi Arabia, over the attacks merely increased anti-US sentiments and the criticism levelled at various regional governments for wasting resources on US weapons.

By the time of the US invasion of Iraq in March 2003, public opinion was sufficiently strong against the war in most Arab countries to rule out these countries' publicly supporting the action, even though they were not against the war and it was evident that most of them wanted to see the demise of Saddam Hussein. What the governments concerned were unsure about was the nature of a post-Saddam Iraq and its implications for their own security. As most of the states bordering Iraq (especially Iran, Jordan and Saudi Arabia) had their own internal social, political and security problems to contend with, they were content to watch developments within Iraq from the sidelines. This was in line with the expectations of their populations. The military expenditure trends of some of these states in 2003 reflect this wait-and-see posture.

III. Iraq and military expenditure in the Middle East

In spite of the difficult relationships that most countries had with Iraq in the past and the unpredictable nature of Iraq's reactions in the course of a war, military spending in most states did not reflect any major increase beyond the 'normal' annual increases that have come to characterize military spending in the region. Some of the countries bordering Iraq (Kuwait, Iran and Jordan), however, and those that participated in the war in particular (Bahrain and Qatar) increased their military expenditure sharply in 2003. Interestingly, most of these countries had either increased their military expenditure marginally in 2002 or reduced it significantly, suggesting that the change was indeed a reaction to developments in Iraq. In view of the widespread public opposition to increasing military spending in most Arab countries in the aftermath of the 11 September 2001 attacks on the USA,¹⁰ which compelled states in the region to make conscious efforts to increase social spending at the expense of military spending,¹¹ the new increases could only be justified on the grounds of a war in a neighbouring state. Other states without a contiguous border with Iraq also reacted to developments in that country. Depending on the nature of their relationship with Iraq prior to the war and the level of support for the US-led invasion, military spending

⁹ Bossuyt, M., 'The adverse consequences of economic sanctions on the enjoyment of human rights,' Working Paper, UN Economic and Social Council Sub-Commission on the Promotion and Protection of Human Rights, 21 June 2000. See also Herring, E., 'Power, propaganda and indifference: an explanation of the continued imposition of economic sanctions on Iraq despite their human cost', ed. T. Ismail, *Sanctioning Iraq: The Iraq Question in World Politics* (Zed Books: London, 2002), available at URL <<http://www.apri52.dsl.pipex.com/eric/Indifference.htm>>.

¹⁰ See Sköns, E. *et al.*, 'Military expenditure', *SIPRI Yearbook 2003: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2003), pp. 322–24.

¹¹ Six Arab countries—Oman, Kuwait, Saudi Arabia, Jordan, Yemen and Syria, in that order—are among the countries with the highest military burden in the world. Military burden is measured by the share of military expenditure in GDP. For details see chapter 10, table 10.3.

increased or decreased. Generally, however, the level of spending in the region did not rise beyond what may be described as 'normal', given the general trend in military spending for the region over the past decade.

The steepest increases in military spending in 2003 in the region were recorded in neighbouring *Kuwait* and *Iran*, two countries that have been at war with Iraq in the past. Although it is difficult to attribute all of the increases to the impact of the Iraq war due to other subsisting influencing factors, some of these increases were due to the war. Kuwait had the highest increase in 2003 and was the most willing of Iraq's neighbours to provide the United States with the use of its territory as a base for attacks on Iraq. It increased its annual military expenditure by 36 per cent in real terms over 2002. This represents a significant increase when compared with 2001 and 2002, when military spending increased by 6 per cent and 18 per cent, respectively. The increase in 2003 is comparable to the level of increase in 1991, after the 1990 Iraqi invasion of Kuwait and the subsequent Gulf War. The normally 'active' Kuwaiti Parliament, while arguing against increased military spending, especially the purchase of expensive and often minimally used equipment, approved a supplementary defence allocation just before the commencement of the US-led war against Iraq on 20 March 2003.¹²

In *Iran*, spending in 2003 rose in real terms by 25 per cent. The rise in 2002 was only 5 per cent. Three main reasons could be advanced for the increase, two of them directly related to developments in Iraq. First is the obvious reason of war in a neighbouring state and the need to be prepared for a possible escalation into Iranian territory (including a mass influx of refugees from Iraq to Iran).¹³ The second was the categorization by the USA in 2002 of Iran as part of the 'axis of evil' and the belief in Iran that there was a need to prepare for a likely US attack after the Iraq war.¹⁴ This was reinforced by the perception of the US presence in the Gulf region as a threat to Iran's national security.¹⁵ Moreover, with the changing political landscape in the region, Iran is now almost completely surrounded by pro-US governments which host US military bases. The third reason, and a corollary to the previous point, is the continuation of Iran's military build-up through arms imports and local efforts, especially on the Shahab ballistic missile project, to build a credible 'deterrent' power to protect the country within its overall 'defensive diplomacy'.¹⁶ All three factors led to increased spending in Iran.

Jordan also shares a border with Iraq but increased its military expenditure by only 6 per cent in real terms. While this is much less than the increases in Kuwait and Iran, it occurred against the background of a less than 1 per cent increase in 2002 and a decrease in 2001 (appendix 10A, table 10A.3). Jordan had maintained an excellent relationship with Saddam Hussein and actually benefited greatly from the inter-

¹² Kahwaji, R., 'Parliament MoD row delays C4I deal in Kuwait', *Defense News*, 1 Dec. 2003, p. 34.

¹³ 'Armed forces deputy commander asks for higher budget in face of threats', Tehran Iranian Students News Agency (Tehran), 7 Jan. 2003, in Foreign Broadcast Information Service, *Daily Report—Near East and South Asia (FBIS-NES)*, FBIS-NES-2003-0108, 9 Jan. 2003.

¹⁴ 'Remarks by A'lami on the country's defence budget for the year 1382', *Tehran Mardom Salari* (Tehran), 14 Jan. 2003, in Foreign Broadcast Information Service, *Daily Report—Near East and South Asia (FBIS-NES)*, FBIS-NES-2003-0122, 26 Feb. 2003.

¹⁵ 'Defense minister comments on regional security, US policy', Iranian Students News Agency (Tehran), 7 Feb. 2003, in FBIS-NES-2003-0207, 10 Feb. 2003.

¹⁶ 'Defence minister comments on regional security, US policy' (note 15). See also 'Iranian defence minister on Iran's defense doctrine', Middle East Media Research Institute (MEMRI) report no. 502 (9 May 2003), available at URL <http://www.memri.org/bin/opener_latest.cgi?ID=SD50203>.

national sanctions on Iraq.¹⁷ First, Jordan served as a conduit through which Iraq engaged in sanctions-busting activities, especially in relation to oil exports. Second, Jordan received \$300 million worth of free Iraqi oil annually.¹⁸ At the same time Jordan offered the use of its territory as a base for US forces and was promised \$1 billion in aid.¹⁹ The increase in Jordan's military spending was as much for internal reasons as it was in anticipation of developments in Iraq. There was a rise in internal violence in Jordan as domestic opposition to the impending war in Iraq increased, prompting a tightening of security and the imposition of a very strict curfew in the town of Ma'an (the hotbed of opposition) to the south of Amman.²⁰

In spite of regional and international tensions, *Saudi Arabia*—the biggest spender in the region—increased its military expenditure only marginally in 2003, by 2 per cent in real terms, while under similar circumstances in the past (e.g., during the 1991 Gulf War) its military spending increased by over 90 per cent. Even in 1997, military spending increased by over 30 per cent when there was no apparent military threat to Saudi Arabia. Within this context, the 2 per cent increase in 2003 can be seen as a continuation of an emerging trend of changing priorities in the country caused by public outcry against the continuing rise in military expenditure in the face of dwindling job and education opportunities for people in Saudi Arabia.²¹ It also reflects the changing expenditure pattern, with an unusual 12 per cent decrease in Saudi military expenditure in 2002. Although there were reports of additional allocations for defence and internal security in the wake of terrorist attacks in the country in May and again in November 2003, these were directed more at emerging internal security threats than for external security.²² Similarly, the few details emerging from the fiscal year 2004 budget suggest a continuation of the policy favouring increased internal security spending.²³ How this will affect the level of military expenditure is still unclear. However, the highly aggregated nature of Saudi expenditure data for defence and security, which are even sometimes combined with expenditure of the Ministry of Justice, may be a major stumbling block to an understanding of this increasingly changing pattern of expenditure within the country's security sector.

Other countries not sharing contiguous borders with Iraq also adjusted their military spending. *Bahrain* increased its military expenditure by 38 per cent in real terms against the background of a decrease of about 1 per cent in 2002. In *Oman* military expenditure increased by over 7 per cent in real terms whereas spending had increased by only 3 per cent in 2002. However, the 7 per cent increase is far below the significant increase of 19 per cent in 2000, when there was not any major security crisis in the region. In *the UAE* the available statistics show an increase of 3 per cent in military expenditure in 2003, down from 5 per cent in 2002. The general fear of

¹⁷ 'Iraq and Jordan: a delicate state of affairs', *The Economist*, 2 Oct. 2003. See also Economist Intelligence Unit (EIU), *Country Report: Jordan* (EIU: London, Dec. 2003), p. 19.

¹⁸ Economist Intelligence Unit (note 17).

¹⁹ International Institute for Strategic Studies (IISS), *Strategic Survey 2002/3: An Evaluation and Forecast of World Affairs* (Oxford University Press: Oxford, 2003), p. 167.

²⁰ International Institute for Strategic Studies (note 19), p. 168.

²¹ See Joffe, G., 'Saudi Arabia after 9/11', *Transatlantic Internationale Politik*, no. 2 (2002), pp. 51–57. See also Kechichian, J. A., 'The direction of a new generation in Saudi Arabia', *Gulf News* (Internet edn), 8 Jan. 2004, URL <<http://www.gulfnews.com/Articles/news.asp?ArticleID=107409>>.

²² Economist Intelligence Unit (EIU), *Country Report: Saudi Arabia* (EIU: London, Nov. 2003), p. 19.

²³ Kawach, N., 'Saudi economy to shrink in 2004', *Gulf News* (Internet edn), 25 Dec. 2003, available at URL <<http://www.gulfnews.com/Articles/News.asp?ArticleID=106332>>.

Iran's military power²⁴ within the Gulf region and the anticipation of the worst in the case of an escalated war in Iraq were the main reasons for the increase, especially in the case of Bahrain, although the latter is also beginning a major acquisition of new military aircraft after a long absence from the weapons market.²⁵

Contrary to expectations, *Israel* reduced its military expenditure in 2003 by 4 per cent in real terms and has planned further cuts for the coming years.²⁶ This reduction was against the background of a steady rise in military expenditure since 2000, when the Palestinian Intifada commenced. While the economic downturn in Israel as a result of the continued conflict with the Palestinians is the major reason for the decision to cut back on military spending, along with other cuts in public sector spending, the US victory in Iraq removed a potential Arab enemy for Israel on the eastern front and thus diminished threats to the state of Israel in an otherwise hostile region.²⁷ The quick victory in Iraq also demonstrated that the threat which some Arab states pose to Israel might have been exaggerated. This gave the Israeli Finance Minister the confidence to push through cuts in military expenditure, even at a time of war in the region. Significantly, Israel also reduced its military expenditure by the same percentage in 1991 after the Gulf War, in spite of the fact that the Arab countries bordering it had stepped up their military spending considerably. Since then, reasons for concern about neighbours' strength have receded, while economic stringency has increased. Apart from Syria, all the other countries bordering Israel are either at peace with it or possess such insignificant military power as to pose no serious threat to Israel. To the south, Egypt is one of the few Arab nations that recognize the state of Israel, and in 2003 the Egyptian Foreign Minister visited Israel. Jordan, whose population is largely Palestinian, also signed a peace agreement with Israel in 1994. While both Lebanon and the Palestinian Authority have military capabilities that do not compare at all with that of Israel, Iran remains the only major potential military threat to Israel.²⁸ However, the international pressure on Iran at the end of 2003 to open up its nuclear programme to international inspections may greatly reduce its ability to develop a nuclear weapon that could threaten Israel.²⁹

IV. Conclusions

Regional military expenditure by the Middle East countries in 2003 continued its long-term rising trend. The war in Iraq appears to have had an impact in terms of significant military spending increases only in the states that have contiguous borders with Iraq and in those that participated in the war (mainly the small Gulf states). In two important states in the region, Saudi Arabia and Israel, domestic problems appear to have had a more direct impact on spending trends than the war in Iraq. This does

²⁴ Kam, E. and Shapir, Y., *The Middle East Strategic Balance, 2002-2003* (Jaffee Center for Strategic Studies: Tel Aviv, 2003) See especially chapters 2 and 3, 'Developments in Iraq and Iran' and 'Military Balances in the region' respectively. The UAE has an ongoing dispute with Iran over the latter's occupation of some of its islands. In recent years there has been some rapprochement between the 2 countries on the issue.

²⁵ See appendix 12B in this volume.

²⁶ Opall-Rome, B., 'Israel explores funding schemes', *Defense News*, 26 May 2003, p. 6; and Ben-David, A., 'IDF to streamline service benefits', *Jane's Defence Weekly*, 10 Sep. 2003, p. 32.

²⁷ Marcus, J., 'Cuts planned for Israeli Army', BBC News Online, 9 June 2003, URL <http://www.news.bbc.co.uk/2/hi/middle_east/2975126.stm>. See also Interview with Israeli Defence Minister Shaul Mofaz, *Defense News*, 26 May 2003, p. 30.

²⁸ Kam and Shapir (note 24).

²⁹ On Iran see chapter 15 in this volume.

not in any way imply that there was indifference to the war. Rather, it means that the war did not constitute the major basis for spending decisions in these countries. It did so only for those countries that felt directly threatened either by Iraq—such as Kuwait—or by the US presence in the region—such as Iran. The spending priorities of other states merely reflected the ambivalence that characterized the attitudes of Arab leaders towards the US-led war in Iraq in general.