Arms Procurement and Corruption in the Gulf Monarchies

By Zoltan Barany

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Photo: KARIM SAHIB/AFP via Getty Images.
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By its very nature, defense-security spending is the thorniest part of most governments’ budgets. Social scientists have long established a direct correlation between military spending and arms procurement – as a share of GDP or share of total government expenditure – with corruption.¹ In democracies, this corruption is limited though seldom eliminated by the role of legislatures and media exposure vis-à-vis the armed forces in the preparation, enactment into law, and disbursement of the national security budget. Elected parliamentary representatives publicly debate and vote on military outlays and then monitor their implementation.

Even the budgets of democracies tend to conceal portions of disbursements for the security sector – individual items may be accessible only to parliamentary defense committee members – or offer only a few general numbers that pose an insurmountable test to the would-be auditor.² States in transition from one regime type to another are especially vulnerable to bending the rules and procedures of transparency – the weapons procurement practices of post-apartheid South Africa provide perhaps the most egregious illustration of this point.³

The Gulf monarchies – and, more broadly, the governments of the Arab world, Iran, and those of most developing states – need not observe such rules or operate under the restrictions that most democracies have in place.⁴ Aside from the partial exception of Kuwait, there are no authentic and/or effective popular legislatures in the Arabian Peninsula, and there are essentially no oversight mechanisms that could constrain defense spending or regulate arms acquisition standards. The Gulf governments’ decision-making processes in this regard, as in many others, remain opaque. In general, the perfunctory and/or hand-picked assemblies of several Gulf monarchies may offer input into social, cultural, or even economic affairs, but they have neither the information nor the invitation to contribute their views on military-security matters. Ordinarily, as Saudi Prince Alwaleed bin Talal once noted, defense-related projects are “highly secretive and subject to no ministry of finance oversight or controls.”⁵

The absence of oversight is one of the reasons that acquisition planning in several Gulf countries – even at times of fiscal constraints – is unclear or non-existent. The four Gulf states with the largest national security efforts relative to their size – Saudi Arabia, Oman, Qatar, and the UAE – have used arms purchases to solidify alliances resulting in the possession of duplicative weapons systems (e.g., Typhoon and F-15 fighter jets) while Kuwait “is struggling to train the highly qualified needed personnel for purchased Patriot missile system.”⁶

Like many states outside the Gulf, including major powers like China and Russia as well as regional powers like Egypt and Israel, the Gulf states differ sharply in the extent to which they report their actual total military spending. The same is true of the burden that defense expenditures place on their economy and gross domestic product (GDP). It is clear, however, that these sums are exceptionally high for states of their size and their level of development.

The International Institute of Strategic Studies (IISS) estimates that three Gulf and Middle Eastern states were among the top 15 military spenders in the world in 2019. Saudi Arabia was the third largest – after the United States and China – spending $78.4 billion. Israel was the 14th largest at $22.6 billion, and Iraq was 15th at $20.5 billion.⁷ Although Qatar and the UAE do not report
publicly available figures, their defense budgets are widely acknowledged to be substantial, almost certainly 8% or more of their GDP. The IISS estimates that in 2019 Iran spent $17.4 billion, Oman $9 billion, Kuwait $6.4 billion, and Bahrain $1.5 billion.

The IISS estimates that 6 Gulf States and 9 Middle Eastern states were among the top 15 nations in the world in terms of military spending as a percent of GDP in 2019: Oman at 11.7%, Saudi Arabia at 10.1%, Iraq at 9.1%, Algeria at 6.0%, Israel at 5.8%, Kuwait at 4.7%, Jordan at 4.6%, Bahrain at 3.9%, and Iran at 3.8%. Several of these states sharply under-report their military spending as does Egypt. To put these figures in perspective, the U.S. spent 3.2% of its GDP on defense, and most European states do not even meet the NATO military spending commitment of 2% of their GDP.

Several Gulf states were also among the world’s largest arms importers. Estimates of annual arms imports are notoriously uncertain, and the U.S. no longer provides official estimates of current data. The Stockholm International Peace Research Institute (SIPRI) does make a respected estimate of arms imports based on Trend Indicator Values (TIVs), which are based on the known unit production costs of weapons and represent the value according to volume, rather than the money paid in the actual deal.

By these estimates, Saudi Arabia led the world for total arms imports in 2018 and 2019 (7,433 TIV or 13.7% of the world’s total of 54,359 million). India was next at 4,452 TIV, Egypt was third at 2,868 TIV, Qatar was fourth at 2,854 TIV, China was fifth at 2,520 TIV, and the UAE was sixth at 1,841 TIV. Sanctions forced Iran to import technology rather than arms, but if one includes Iraq (718 TIV), Oman (383 TIV), and Kuwait (165 TIV) in the Gulf total, the Arab Gulf states alone imported 13,394 TIV or 24.6% of all the world’s arms imports during 2018-2019 – years of relatively low buys by Kuwait and Oman. A massive incentive to engage in corruption for both sellers and buyers.

In several Gulf states, whatever check there is on defense spending comes from the royal family that is the state. Thus, an important feature of Saudi Crown Prince Mohammed bin Salman’s (MbS) much-touted defense transformation “boils down to better cash control” in Saudi military affairs: “controlling money as a way to deepen both political control and domestic credibility is a hallmark of the present Saudi leadership.”

Kuwait, with its semi-democratic parliament, does differ from the other GCC states. The Kuwaiti National Assembly (NA) actually exercises a certain amount of oversight through its involvement in the budget process. The NA might schedule a debate on a portion of the armed forces’ budget, the so-called “normal budget of the defense ministry.” These allocations are earmarked for salaries and pensions, medical and education benefits, infrastructure maintenance and development, and for similar purposes required for the day-to-day running of the armed forces.

The other budget, however, one that sets aside funds for arms acquisition, unspecified security activities, undercover operations, and the like is not transparent. Importantly, for budgets to become official, they must be decreed by a law enacted by the NA. (Needless to say, when the Emir suspends parliament – as he has repeatedly done – these procedures cannot be followed).

The process of arriving at the budget figures that the Kuwaiti legislature receives for discussion from the defense sector is similar to that in many democracies. Each of the three main executive-administrative elements of the defense establishment – the Ministry of Defense, the Ministry of Interior, and the National Guard (NG) – compile their requests separately. Within these
organizations there are separate committees, including one on armaments, that draw up their wish-list and take that list to the Ministry of Finance. Once an agreement is reached – following a debate between the two ministries and the NG on the one hand and the finance ministry experts on the other – the “normal” defense budget goes to the NA’s Budget Committee. If that body does not give its consent to the proposed budget, it must state its objections, and then the two ministries and the NG would return to the drawing board and revise their proposal until an agreement is reached. After the Budget Committee approves the defense budget, it must pass muster with the Public Funds Committee – an entity created in 1992 to fight corruption – that reviews military deals, weapons agreements, etc. – and if it does, the entire assembly votes on it.\textsuperscript{15}

Arms sales and security-related transactions are by their very nature sensitive business deals and are often accompanied by little transparency even in Western European democracies.\textsuperscript{16} As such, they create optimal conditions for corruption, especially in certain political environments – authoritarian states or regimes in flux – where there is limited oversight on the executive branch.\textsuperscript{17}

Authoritarian regimes in other regional states present serious problems. Corruption is common in Algeria, Egypt, Iran, Iraq, Israel, Lebanon, Syria, and was more the rule than the exception in Yemen. In the monarchies of the Gulf where only members of the ruling family have the authority to condemn improprieties, weapons procurement has often gone hand-in-hand with large-scale corruption or, as one Transparency International expert has put it when referring to Saudi Arabia, “theft on a grand scale.”\textsuperscript{18} The wide-ranging embezzlement in the defense sector has impaired the effectiveness of the GCC armies: when the princes pocket their “share” of the transactions, army units do not get what they are supposed to get.

The lack of information on the accounting basics and the general absence of transparency of Gulf military-security companies also “makes it difficult to access the economic effectiveness of developing a defense technological and industrial base.”\textsuperscript{19} Throughout the Arabian peninsula, the widespread embezzlement and corruption associated with military affairs have in practice meant that a lot of arms and kits simply “disappear” and often find their way to the arsenals of ISIS, al Qaeda, or the Houthis.\textsuperscript{20}

The high-level corruption related to armament procurement in the Gulf has been extensively documented. One of the most famous cases is connected to Prince Bandar bin Sultan, a former Saudi ambassador to Washington and a confidant of former President George W. Bush. Bandar – one of MbS’s detainees at Riyadh’s Ritz-Carlton Hotel in November 2017 – “bought an entire village in the Cotswolds, a picturesque area of central England, and a 2,000-acre sporting estate with part of the proceeds from kickbacks he received in the al-Yamamah arms deal” with the British fighter aircraft manufacturer, BAE.\textsuperscript{21} (Valued initially at £43 billion, al-Yamamah was the largest ever British sale of armaments that was facilitated by massive bribes to members of the Saudi royal family).\textsuperscript{22}

Prince Miteb bin Abdullah, another Ritz-Carlton hostage, reportedly diverted billions of dollars from the Saudi Arabian National Guard he had commanded by “hiring ghost employees and paying inflated contracts to companies he owned for equipment like walkie-talkies and bulletproof military gear.”\textsuperscript{23}

To be sure, scandals occasionally accompany Kuwaiti arms deals as well, but the difference is that while the subject could not be publicized with impunity in the other Gulf states, Kuwait’s occasionally raucous parliament is not afraid to engage with it. A 2019 corruption scandal in
Kuwait caused the removal/resignations of the prime minister and several cabinet members. At issue was the mismanagement of $790 million in the “Army Fund,” a military welfare endowment that is used to give interest-free loans to uniformed officers of the armed forces. The Emir removed his son, Defense Minister and Deputy Prime Minister Nasser Sabah al-Ahmad al-Sabah and the Interior Minister Sheikh Khalid al-Jarrah al-Sabah from their posts to let the investigation by the Public Prosecutor run its course.

Prime Minister Jaber al-Mubarak al-Sabah, accused of failing to address repeated queries regarding financial irregularities, submitted his resignation and later refused reappointment by the Emir. Even so, transparency is to be avoided as indicated by the gag order put in place by the commission in charge of investigating public malfeasance by government ministers.24 In the background of this turmoil is not only the spread of high-level fraud in Kuwait, but also the jockeying for power and position in the ruling Al-Sabah family to succeed the 90-year old Emir.

One of the common ways in which corruption occurs is when defense manufacturers conclude deals with purchasing governments by signing “offsets” (incentive contracts) to facilitate weapons sales. These generally signify “investments in the importing country’s indigenous defense industry or some politically important commercial sector.”25 To be sure, there are financial penalties attached to misusing these arrangements, but at a U.S. congressional hearing one industry leader professed to have never heard of anyone paying a fine. The absence “of transparency in arms imports and offset programs has also sometimes led to substantial corruption” and has also contributed to the armed forces’ ineffectiveness as well.26

Are Gulf countries more corrupt than others with no public control over state finances? The well-regarded Transparency International (TI) has compiled an index that aims to measure the perception of corruption around the world. The data on Table 1 reveals that in global terms, the GCC states are nowhere near the bottom of the corruption scale.27
Table One: Middle East Corruption Perception Index Rankings: 2003, 2008, 2013, and 2018
(Transparency International: World Ranking and National Score)

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<td>8/100</td>
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<td>48/100</td>
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<td>141/180</td>
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<td>3.0/10</td>
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<td>28/180</td>
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<td>68/100</td>
<td>33/180</td>
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<td>80/180</td>
<td>3.5/10</td>
<td>63/177</td>
<td>46/100</td>
<td>58/180</td>
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<td>Tunisia</td>
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<td>62/180</td>
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<td>41/100</td>
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<td>5.2/10</td>
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<td>2.3/10</td>
<td>167/177</td>
<td>18/100</td>
<td>176/180</td>
<td>14/100</td>
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</table>


Looking at the trend of corruption perception – displayed at five-year intervals since 2003 in Table 1 – uncovers some interesting developments that confirm the many stories and opinions one hears from citizens of various Gulf countries. Bahrain and Kuwait have been moving in the wrong direction (from 6.1/10 and 5.3/10 in 2003 to 36/100 and 41/100, respectively) while Oman, Qatar, and Saudi Arabia did not register unidirectional changes.

For the entire period of 2003-2018 Oman has somewhat regressed while Qatar and Saudi Arabia slightly improved. One clearly positive story divulged by this data is that of the UAE where surveys registered less corruption at each consecutive point in time, perhaps reflecting the Abu Dhabi government’s growing attention to fiscal responsibility.

At the same time, a brief look at the rest of the Middle East and North Africa (MENA) clearly demonstrates that at all four intervals between 2003 and 2018, the six GCC member states – distinguished in bold – registered considerably lower levels of perceived corruption than the eight other Arab states in Table 1.

The only country whose record is similar to the GCC states is Jordan, that is, in many ways – a Sunni Muslim monarchy bordering on Saudi Arabia – similar to them. Also noteworthy – but for experts, hardly surprising – are the extremely poor rankings of Yemen and the two non-Arab states of the region, Afghanistan and Iran. One expert familiar with Afghan and Yemeni public finances noted that the government in Sana’a “makes even the Karzai regime, in Afghanistan, seem like a model of propriety.”

Israel, the one Middle Eastern state with a well-established though deeply
flawed democracy is, again, unsurprisingly, the country that TI analysts have assessed as having the lowest extent of perceived corruption in the region.

The reality is bleaker, however, when the *actual* risk of corruption— that is, not the *perception* of corruption—is measured in the defense sector. TI’s “Government Defense Integrity Index 2020,” an exceptionally comprehensive and balanced assessment, breaks down the security sphere to five risk categories (political, financial, personnel, operational, and procurement) and grades them from “A” (very low), “B” (low), “C” (moderate), “D” (high), “E” (very high), to “F” (critical).\(^{29}\) While Kuwait and the UAE earn an aggregate “E” or “very high” risk of corruption, Oman, Qatar, and Saudi Arabia all received the worst possible mark “F.”

Kuwait escaped the worst combined grade owing to its relatively better results in political, financial, and personnel rankings— all “E’s.” The UAE, on the other hand, received an “E” for the financial and a “D” for the personnel categories. In terms of this assessment’s specific concern, every one of the five (information on the sixth, Bahrain, was not included) GCC states scrutinized were assigned “F’s” for their procurement rankings by TI analysts.

TI’s aggregate grades for the other Arab states’ risk of corruption in their defense sectors is equally unflattering: Morocco, Algeria, Egypt, and Jordan are deemed critical (“F”), Lebanon gets an “E,” while Tunisia comes off with the best grade among the Arab states in TI’s database and receives a “D,” that is, corruption risk in its defense sector is “merely” high.
Table Two: Transparency International’s (TI) “Government Defense Integrity Index 2020”

Risk Categories Rating (Numerical Score Out of 100 with Lowest Number as Worst Rank)

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall Band</th>
<th>Political</th>
<th>Financial</th>
<th>Personnel</th>
<th>Operational</th>
<th>Procurement</th>
</tr>
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<tr>
<td>Algeria</td>
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<td>15</td>
<td>0</td>
<td>F</td>
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<tr>
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<tr>
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<td>E</td>
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<td>2</td>
<td>39</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Kuwait</td>
<td>E</td>
<td>31</td>
<td>33</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
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<td>E</td>
<td>40</td>
<td>26</td>
<td>51</td>
<td>10</td>
<td>23</td>
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<tr>
<td>Morocco</td>
<td>F</td>
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<td>22</td>
<td>8</td>
<td>0</td>
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<tr>
<td>Oman</td>
<td>F</td>
<td>8</td>
<td>8</td>
<td>18</td>
<td>0</td>
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<tr>
<td>Qatar</td>
<td>F</td>
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<td>29</td>
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<tr>
<td>Palestine</td>
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<td>5</td>
<td>9</td>
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</table>


These ranking have to be kept in careful perspective. TI only publishes defense integrity rankings for a limited number of countries and describes all the Arab and Gulf states that it does rate as facing “critical corruption risk across its defense institutions, with little to no access to information or scrutiny of the defense sector across all areas of risk.” Therefore, TI’s sweeping generalizations ought not be taken at face value. It also, however, provides the following specific data on each country: 30

- Algeria: …However, it has clear sanctions for corrupt behavior, as well as anti-collusion controls and sanctions for supplier firms.
- Egypt: …However, it does outlaw bribery to avoid conscription, and is taking some measures to mitigate procurement risk, albeit minimal.
- Jordan: …However, it has mostly complied with international standards (UN Convention Against Corruption) and scores well on its approach to personnel risk, particularly in controls, payments, and codes of conduct.
- Kuwait: …However, its anti-corruption commission (Nazaha) has succeeded in instituting an anticorruption policy for the sector and conducting anti-bribery training for personnel.
- Lebanon: …However, it is improving in budget transparency, and scores moderately well in its overall approach to personnel risk.
Morocco: …However, it does score well on adherence to international standards (UN Convention Against Corruption) and controls over private sector linkages to military and defense.

Oman: …However, it does score well on sanctions for corrupt behavior, as well as controls on agents and intermediaries.

Palestine: …However, it is improving in procurement competition, and scores well in managing payments and salaries of personnel, with some effort to establish sanctions for corrupt behavior.

Qatar: …However, it scores moderately well on its approach to personnel risk, particularly in sanctions, payments, and codes of conduct.

Saudi Arabia: …However, it does score well on sanctions for corrupt behavior, and has some controls over private sector linkages to military and defense.

Tunisia: …However, it has impressive controls over private sector linkages to military and defense, scores well on its overall approach to personnel risk, and is taking steps to improve transparency in procurement.

UAE: …However, it does score well on sanctions for corrupt behavior, and has impressive controls over private sector linkages to military and defense.

In any case, these issues take on a major new importance at a time when the economic impact of the Coronavirus and plummeting oil revenues increase the desirability of fiscal prudence, and the scourge of corruption becomes a more readily recognized issue. Saudi Arabia under MbS has pursued a selective and partial anti-corruption drive of sorts. One of the chief purposes of the November 2017 quarantining and extortion of more than 500 extremely wealthy and well-connected personnel, most of whom were apparently the beneficiaries of fraudulent dealings, was to make the point that the new man at the helm was serious about corruption.

As a result of new regulations introduced under MbS, bidding processes have been revamped and major defense-related purchases now require the Ministry of Finance to sign off on them. Western firms have been asked to work with the Ministry of Defense in Riyadh to discourage corruption in procurement.31

More generally, the paying of fines and fees have been simplified through the introduction of online apps to reduce unnecessary paperwork and the shame of court appearances.32 In the recent Kuwaiti corruption scandal, too, the emir took great pains to assure his subjects that the government was taking corruption seriously, and the law would be applied equally to all.33 Still, convincing people of the authenticity of these governments’ newly-found anti-corruption enthusiasm may not be easy. As one skeptical diplomat noted, “What is the law in Saudi Arabia? The law is the last thing the king said.”34

Cultural disparities are also at play when westerners contemplate corruption in dissimilar sociocultural settings. “Corruption” is perceived quite differently in the Gulf than in western societies and corporate environments, and it is often used to fund given factions and help ensure political stability.35 Those with long experience in GCC business dealings suggest that the modus operandi in the Arabian peninsula has always been what westerners call “corruption” – distributing tribal resources, making sure everybody gets his share, and rewarding those who “make things happen” – but for Gulf Arabs, it is simply the cost of doing business and the way transactions are conducted.36

Perhaps no one expressed this more clearly and memorably than Prince Bandar who famously said in an interview that “If you tell me that building this whole country, and spending $350 billion out of $400 billion, that we have misused and got corrupted with $50 billion, I’ll tell you, yes. But I’ll take that anytime.”37
As a Saudi social scientist once told me during a personal interview, “all those hundreds of princes must make money somehow so they buy lots of weapons and equipment where they can skim off the top. For them, transparency is a foreign concept and are negligible: nobody is checking the books, perhaps there are no books.”

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Biography

Zoltan Barany is the Frank C. Erwin, Jr. Centennial Professor of Government at the University of Texas and a (non-resident) Senior Associate of the Arleigh A. Burke Chair in Strategy at the Center for Strategic and International Studies (CSIS) in Washington, D.C. His recent essays on Arab/Gulf military affairs were published by CSIS, the Carnegie Middle East Center, the Middle East Institute, and appeared in the *Journal of North African Studies*, the *Middle East Journal*, the *Journal of Arabian Studies*, and *Middle East Policy*. Barany’s books include *How Armies Respond to Revolutions and Why* (Princeton University Press, 2016), *The Soldier and the Changing State: Building Democratic Armies in Africa, Asia, Europe, and the Americas* (Princeton University Press, 2012), and, as co-editor, *Is Democracy Exportable?* (Cambridge University Press, 2009) – all of which have been translated into Arabic.

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Notes


13 Interview with Ghanim Al-Najjar (Kuwait, 14 December 2016).

14 Interview with a Kuwaiti defense expert (Kuwait, 19 May 2019).

15 Interviews with Ahmad Al-Sadoun, former Speaker of the National Assembly (1985-1999 and 2012) (Kuwait, 15 December 2016) and Major General (Ret.) Abdulwahab Al-Roumi (Kuwait, 22 May 2019).


18 Katherine Dixon cited by Kulish and Kirkpatrick.


24 I am grateful to a Kuwaiti social scientist who discussed the issue with me at length (telephone interview, November 2019). See also “Kuwait Cabinet Quit Over Corruption Suspicions, Minister Says,” Bloomberg, November 17, 2019; “Kuwait PM Declines Reappointment, Emir Removes Senior Ministers,” Reuters, November 18, 2019; and Kristin Smith Diwan, “Kuwait Shakes Up Its Government amid Charges of Corruption,” AGSIW, November 21, 2019.


28 Dexter Filkins, “After the Uprising: Can the Protestors Find a Path between Dictatorship and Anarchy?” New Yorker, 11 April 2011, 42

29 See https://ti-defence.org/gdi/.

30 See https://ti-defence.org/gdi/.


38 Interview in Bahrain (December 2012).