

## Army's Business

### **Military Inc: Inside Pakistan's Military Economy**

by *Ayesha Siddiqi*;  
Oxford University Press,  
Pakistan, 2007;  
pp xii + 292, £ 19.99.

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The book under review is the most popular book in the English language to have been published in Pakistan. According to the publishers – Oxford University Press, Pakistan – the book has sold more than 10,000 copies in the three months since its publication. And this comes against the backdrop of high drama at the end of May in Islamabad when the book launch organised by the publishers was circumvented by the government. All public spaces where the launch could have been held in the city were told by the military government not to allow the launch. Eventually the launch was held in the office of a non-governmental organisation to a jam-packed audience and was covered on the front pages of mainstream newspapers the next morning. Of course the government overreacted. If the book had been released even a year ago, Pakistan's establishment – read the army – would perhaps not reacted so strongly. With the army on the receiving end of all that is wrong in Pakistan, this is the season of discontent in Pakistan. The launch of *Military Inc* could not have been timed better.

That Pakistan's military has had a significant influence on the country's economic resources is common knowledge. However, this information is camouflaged through data secrecy and lack of accountability of the military establishment to the parliament. *Military Inc* lays out in considerable detail the history, characteristics and size of this establishment. While the information is not one on which economists can do precise data analysis, it provides a useful ball park to assess the extent and the growth of "MILBUS" (acronym for

military business used by the author) in Pakistan.

There are three main elements of MILBUS in Pakistan. The first is the foundations operated by all three branches of the armed forces, ie, the army, the navy and the airforce. Of course the army dominates in this area also. These foundations operate everything from airlines to fertiliser and cement manufacturing firms to bakeries, banks and private security companies in the service sectors. In fact, two army subsidiaries – the National Logistics Cell (NLC) and the Frontier Works Organisation (FWO) – have a virtual monopoly over the road transport and construction industry, respectively.

The origins of these foundations go back to the British period, when after the efforts of the British Indian army, a welfare fund was created as a share of the Post-war Services Reconstruction Fund that was bequeathed to the Pakistan army, which provided the seed funds for the establishment of the Fauji Foundation. The rest of the foundations were established during subsequent martial laws in the 1970s and 1980s.

The question often raised is that if these activities are welfare oriented, what is the problem? After all these foundations run health and education facilities for retired military families, apart from providing employment to a number of retired armed forces personnel. According to Siddiqi, the problem with this welfare model is threefold: one, the major beneficiaries of these foundations are not the soldiers, but the officer class. Second, in a poor country where there is virtually no significant system of welfare for hundreds of millions of poor Pakistanis, military welfare is "the envy of most civilians". Third, Siddiqi devotes a large part of the ninth chapter demonstrating the inefficient use of resources employed by these foundations through balance sheet analysis.

*Military Inc* provides ample evidence that the foundations survive on government subsidies. Again, this is rumoured but has never before documented with evidence.

One important reason cited for inefficiency is that these foundations are manned at the pinnacle by military personnel, both serving and retired. It goes without saying that those who have spent a lifetime dealing with armour, artillery or signals will not be adept in the rough and tumble of managing finances, organising production and dealing with "civilian" labour markets. The structural incongruity of these foundations – where the imperative is to keep the levers of power in the hands of retired military personnel – is far removed from the requirements of a modern corporate sector operating in an increasingly globalised world.

### **White Elephants**

The economic implications of this inefficiency are significant. Although billed as private "foundations", these entities behave exactly like public sector white elephants. Operating with a "soft budget constraint" a la Kornai, their inefficiencies are not subject to market discipline as they are continuously bailed out by public resources. Obviously with no incentive to be efficient, they squander resources, eventually paid for by the tax payer. Interestingly, where there is a consensus in Pakistan on reducing the role of the public sector in manufacturing and services, because of the "fuzzy" status of the foundations as not really public sector entities, there is little debate and/or criticism that has hitherto taken place on the resource capture by these foundations. And this is where the rub lies. The constituency of the military is the corporate sector and it is they who are being undermined by MILBUS.

Siddiqi does not adequately grapple with the vexed question of the bonhomie between the corporates and MILBUS, when it is clear that the latter encroaches on the territory of the former. She states that the Pakistani elite – which in her formulation includes the corporate sector as well as feudals and politicians – are "bound into a predatory partnership" (p 23). To say that elites are linked through a common interest of accumulation and appropriation is merely a description of all capitalist states and societies. Intra-elite relations – especially in this case where MILBUS crowds

out the private sector – remains an important research question to be explored.

The acquisition of agricultural and urban land by the armed forces is more visible. Defence societies have over time become the poshest residential localities in Pakistan's urban landscape. The book informs us of the manner in which urban land is acquired at subsidised rates, developed with public resources and then sold to officers of the armed forces at subsidised rates. The officers in turn can become instant millionaires by selling these plots of land at market rates to hapless civilians. *Military Inc* also confirms the casual observation that this process has increased at a frenetic pace during the Musharraf regime.

Siddiq also provides useful detail on the allocation of agricultural land to military personnel in Pakistan. Between 1965 and 2003, 1,90,000 acres of agricultural land was given to military officers. Not only is the land given to them on subsidised rates but Siddiq also shows that for high ranking officers, cultivation is also subsidised by the armed forces! If one takes the boys in khaki as a group unto themselves, then they turn out to be biggest "feudals" in Pakistan. No wonder, apart from Ayub Khan, none of the subsequent dictators have ever talked about land reforms in Pakistan. And this is in spite of the fact that military governments have been at the forefront of critiquing the "feudals" as central to the messy and "sham" democracy that they overthrow with monotonous regularity.

The development and dominance of MILBUS in Siddiq's framework is primarily because of the political power that Pakistan's military acquired early on after Partition. From there on, Siddiq shows that the relationship has been dialectic in the sense that the military's political power has led to accumulation of economic resources – two chapters demonstrate an interesting correlation between the military's political power and its increasing economic prowess – and this resource capture in turn compels the military to keep its political influence intact.

### Excessively Structuralist?

Siddiq explains the original sin of the military's influence in Pakistan's politics by invoking the "overdeveloped" state formulation of Hamza Alavi. Alavi's argument about the overdeveloped state was arguably in a different context. It was

essentially to explain the overarching dominance of the state vis-à-vis civil society in a post-colonial setting and was applicable to all of the erstwhile British India. The issue of military dominance is not applicable to India – the largest entity of British India – and does so perhaps in a different form for Bangladesh. It is not only that the non-elected arms of the state dominate the state structure in Pakistan but that its military arm has over time acquired a virtual monopoly over the state in Pakistan. The overdeveloped state thesis does not per se explain this phenomenon. If Siddiq had worked with Ayesha Jalal's argument about an institutional imbalance at the time of Partition and Pakistan's pro-US posturing in the cold war early on, this important explanation would have been more robust. Siddiq appears to err in the direction of being excessively structuralist in her analysis on this admittedly academic but nevertheless important issue.

The other area where the theoretical part of the book can be contested is when the author conceptualises MILBUS in terms of different typologies of civil-military relations. The important point that Siddiq makes is that militaries enjoy a privileged position vis-à-vis resource allocations in varying degrees in most countries. However, the typology does not seem particularly useful in explaining major "praetorian" states such as Turkey, China and Indonesia. In the case of Pakistan at least, it is clear that historical and structural reasons that explain the military's domination as well as its location within the polity are much different from say China and Turkey. Both the Turkish and Chinese armies are liberation armies and thus enjoy a far greater legitimacy than their Pakistani counterpart, which in turn is the remnant of the British Indian army. Moreover, the legitimacy of the Pakistan army is further compromised as it is not even a national army, drawing roughly two-thirds of its personnel from the Punjab to the exclusion of other federating units in Pakistan. As such, the location of the Pakistani army, viz, the larger civil society is structurally different and perhaps unique compared to these other entities.

So given this overwhelming dominance of the military, is there anyway that Pakistan can move towards becoming a "normal" democratic third world country? According to Siddiq, the route to sustainable democracy in Pakistan is "maybe a strong domestic movement backed by external

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pressure” (p 24). The notion of “external help” is not viewed favourably by the democratic movement in Pakistan. Regardless of populist sentiment, however, this is an important proposition particularly in the present context where external elements (primarily the US) are instrumental in keeping the military dictatorship in the saddle. Although Siddiqah gives examples of Latin American countries where the US has facilitated democracy, one wishes that this proposition had been explored further particularly in the context of Pakistan’s geopolitical situation post 9/11.

These minor quibbles notwithstanding, this is a must read book for all who are interested in understanding Pakistan’s underlying socio-political and economic affliction. It may not provide many answers but it is a valiant attempt at outlining the dominance of the military beyond what is commonly understood. Ayesha Siddiqah has become an academic celebrity of sorts since the publication of this book. And this exalted status is thoroughly earned given the courage with which she has faced overt and covert harassment from the might of the state. **EW**

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