

## Internal Economy as a Cause of Military Interventions in Pakistan

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### ABSTRACT

The paper revolves around the idea of recurrent military interventions in Pakistan, discussing most of the possible causes and dominant narratives. It contends that in an undeveloped country, such as Pakistan, Military intervenes recurrently mainly for securing its economic and commercial interests. It discusses that initially all the military interventions are “reactive” to the circumstances of the country. However, with the pace of time, these military interventions become “designed”. This happens when Military assumes a multi-dimensional role in a country, which means that military not only looks after the security of the country but also develops some economic stakes in the economy. Moreover, it has discussed the Military’s internal economy (which has been termed as “Milbus”) of Pakistan in detail. In the conclusion, the paper establishes that Military will continue to intervene and expand in the political economy of Pakistan, as long as the “national security threat” narrative dominates.

**KEYWORDS:** Internal Economy, Military Interventions, Military’s Economy.

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### 1 INTRODUCTION

The aim of this paper is to show that the weakness of political leadership and political institutions is not the only reason for military interventions in Pakistan. There is no doubt that the political institutions have been weak for the most of the time and the first military intervention in Pakistan may have been reactive of the political instability. But overtime Pakistan military has developed a huge commercial empire or internal economy or military businesses (Milbus). The reason for the subsequent interventions in politics is internal economy. The main point which this paper will try to raise is that “the military internal economy is the cause and the effect of military interventions in Pakistan.”

In order to show this, firstly this paper will discuss the role of military in politics and governance of Pakistan. It will also shed some light on whether the military intervention is “designed”, that means it is pre planned or it is “reactive” of the circumstances created by political instability. Secondly, it will discuss the concept of the Military business (Milbus) as explained by the Ayesha Siddiqi in her book “Military Incorporation [1]”. Then it will further discuss the nature of Milbus in Pakistan, its structure, its expansion, the impact of the Milbus on the political economy of Pakistan and the future prospects of the Milbus in Pakistan. In short, the central focus of the paper would be on the two questions: why military repeatedly intervene in the politics of Pakistan? And what is the role of military business in the subsequent interventions and enhancement of the hegemony of military over other institutions of the state?

### 2 Argument

According Military is an institution of the state which upholds its sovereignty by defending its frontiers. The central role of a military is to guard the state from external threats. It is regarded as the only institution of the state which has monopoly over violence and with this monopoly comes the power. Although military is the most powerful institution, it is a generally agreed norm to put the military in the hands of civilian control in modern times. But often militaries launch a coup to overthrow the civilian governments and concentrate power in their own hands. This practice is common in the countries which are less developed. In his introduction of the book, Hassan Askari Rizvi [2] gave an interesting correlation between the military coups and per capita incomes of the countries that, “the 1963 statistics indicated that

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out of 73 States with per capita income below 330 dollars, 45 faced coups. 25 States had per capita income from 330 to 899 dollars. Only 5 of these had military interventions. Out of 19 States with per capita income above 900 dollars, there were only 2 casualties.” If we analyze these statistics we come to two conclusions, either, state governed by their militaries are most likely to be underdeveloped, or, the underdevelopment is the cause of military takeovers. But one thing that is more important and unambiguous is that more the developed a country is, less are the chances of coups.

Pakistan is the country with the ninth largest standing military in the world [1]. The total strength is around 650,000 comprising Army, Navy and Air Force. Approximately 75% of the army personnel belong to three districts of Punjab, the area called as ‘Salt Range’ [1]. According to the constitutional mandate laid down in Article 245 of 1973 Constitution, the role of military is limited to securing the frontiers against external threat, and assisting the state in natural calamities on the request of civilian authorities [1]. Thus the primary role of the Pakistani military as defined by the constitution is to defend the boundaries of the countries from the external threats like India. And the secondary role is to help the state in natural disasters if they are required by the state. But Pakistan military has expanded its role through the course of time. As Stephen P Cohen in his book [3] rightly said about the Pakistan Army that “there are armies that guard their nation’s borders, there are those that are concerned with protecting their own position in society, and there are those that defend a cause or an idea. The Pakistan Army does all the three [3].” In the history of 62 years, Pakistan has experienced martial laws for four times, repeatedly after every 10 years. The first military ruler was General Ayub Khan who imposed martial law in 1958; his rule was authoritarian and lasted for 11 years, followed by General Yahya Khan, which lasted for nearly two years. The third martial law was imposed by General Zia ulHaq in 1977, deposing Zulfikar Ali Bhutto and he continued to rule till his death in 1988. The last military ruler so far was General Musharraf; his rule lasted for 9 years.

There are different types of political systems which have different types of civil military relations. Shafqat Saeed [4] has characterized the civil-military relations or political system of Pakistan as “Military Hegemonic Political System”. It is product of internal and external factors. Internal factors are like regional disparity and that it turns leads to political instability. External factors include building strategic alliances with the so called superpowers like USA and UK. This defines nation-building as its goal and it works through patronizing those political leaders who favor them, building strategic alliances which brings money in terms of aid and deactivating those who threatens their legitimacy. Military seeks alliance with the civilian bureaucracy and forms military-bureaucratic elite which has monopoly over power, authority and economic resources. Ayesha Siddiqa on the other hand has characterized the civil military relations in Pakistan into two types. The first type is called as “Arbitrator Military type” [1, page 47], which refers to the military rule before 1971, which is the era of General Ayub Khan. In this type, military acts as an arbitrator, it tends to acquire political control but refrains from prolonging its rule and it returns to barracks as soon as the problem is solved. Military acts a back seat driver and draw the moral legitimacy to intervene through acquiring a role of providing stability and bringing progress to the nation. The second type refers to the post 1971 period, is known as the “Parent Guardian Military” type [1, page 51]. In this type, armed forces institutionalize the political power through constitutional and legal provisions in order to secure their economic and corporate interests. General Zia ulHaq period is an excellent example of this type, as he reversed all policies of Zulfikar Ali Bhutto, which undermined the interests of military, by amending the constitutions and re-established its supremacy. This type is important in economic terms, as it is concerned with the process of distribution of national resources. Military is dominant economic player in this type and distribute the resources among themselves. In this type military may go back to barracks, but they never transfer power to political leaders. As we can see that there is some sort of similarity between Shafqat’s Military Hegemonic political system and Siddiqa’s Parent Guardian military type. In both of these systems, military governs all aspects of society that is it has political as well as economic power in its hands. One cannot deny the hegemony exercised by the military even to this day.

The reason behind the military intervention is a complicated question. Different authors have different opinions in this regard. We can divide different range of opinions into two categories. The first category believes that the interventions of military in politics of Pakistan are designed and deliberate. Shafqat Saeed [4] believes that the military has deliberately acquired the multiple roles other than safeguarding the

frontiers and weakened the political system for the pursuit of their own interests. Ayesha Jalal within [1] associates the military intervention with the international actors like USA and UK, as these countries have strategic interests in this area; they align themselves with the military, pursue their interests and as a result military receive patronage. Saeed Shafqat is in coherence with Ayesha Jalal but further adds that the tacit support from the US has transformed in to the political strength of the military.

The second category believes that military interventions are reactive of the circumstances like political instability. According to a political analyst Edward Feit, the weakness of political forces is the result of fragmentation and factionalism within the society these societies suffer from syndrome of 'amoral familism' [1]. This concept refers to a society where different political groups are in pursuit of their own interests and try to maximize these by forming temporary coalitions. This kind of approach is antithetical to the institution building and these societies view military as a political referee or arbitrator. Hamza Alavi gave the concept of "overdeveloped state" [5], which is quite similar to the 'amoral familism'. The term overdeveloped refers to the institutional strength of the state bureaucracy, which is composed of strong military and civilian bureaucracy and weak political forces. This state operates under the principle of peripheral capitalism which recognizes the plurality of competing interests of various groups like landlords, indigenous bourgeoisie and metropolitan bourgeoisie and acts a mediator or arbitrator between them. Shirin Tahirkheli is the proponent of the view of 'reactive militarism' [6]. She characterizes the coup of Ayub Khan in 1958 as result of the prevailing circumstances in the country. In the case of Zia's martial law, she said that it was partially reactive.

Besides these two categories there are also other views. Charles H Kennedy [7] makes civilian bureaucracy responsible for weak political institutions and as a result military exercises its influence. The view that is the focus of this paper is that, the military intervene in politics to secure their corporate interests. It is believed that the military intervention in the earlier time that is the first military rule of Pakistan may be reactive of the circumstances. But with the passage of time the situation has changed. There is no doubt in the fact that the political forces have always been weak and as a result military has to act as an arbitrator and has to provide its stability. Through the course of time military of Pakistan has a developed a huge commercial empire and military businesses (Milbus) has been widely expanded. One of the reasons behind the subsequent interventions (Here the reference is made to military rule of General Zia and onwards.) was to protect and expand that commercial empire. So it is contended that the nature of military interventions has changed from 'reactive' to 'designed'. The political institutions have been deliberately made weak in order to preserve the military hegemony and the Milbus. Now it will be discussed what Milbus is, its structure, expansion and future prospects.

Milbus refers to the military capital which is used for the personal benefit of the senior officers, and it is not recorded in the defense budget or any other document. Because it is hidden, it is also known as 'military internal economy'. It is important to discuss because it enables the officer cadre of the military or senior generals to have more influence in decision making and politics of a state. It has different processes of operation and mechanisms in different countries. In some countries it operates with the partnership of the civilian corporate sector like USA and UK. In some cases it has partnership with the ruling party of the state, who has majority in the parliament like Cuba and China. While in other countries like Pakistan, Thailand and Turkey, military is the sole owner of the military internal economy. According to author of [1], "Milbus is military capital used for the personal benefit of military fraternity especially the officer cadre, which is not recorded part of the defence budget or does not follow normal accountability procedures of the state". She has made clear the purpose, the subject and the exemption from accountability. Furthermore she has also described the ways in which economic activities are conducted in the military economy. These are: transfer of land to senior generals; money spent on providing privileges for retired military personnel, subsidized utility bills, travel allowances and etc. and directing business opportunities towards armed forces by violating the principles of free market economy. The primary beneficiaries of these activities are the senior commanders, who are at the top of the hierarchy. Though these activities are conducted in the name of the welfare of the whole organization, but in reality these only benefit the top echelons of the military. There is negative impact of these kinds of activities on the political economy of Pakistan. Firstly, the private sector is discouraged to participate in the economy because of favoritism

showed towards organizations related to the armed forces. As most of the times contracts for various projects are given to the armed forces' organization which in turns disappoint the private competitors and enforce them to quit their businesses. In socioeconomic terms the military internal economy creates inequality. It benefits only those related to their organization or their clients who have earned their patronage, disregarding other competitive market forces. Moreover the Milbus has become the reason for the subsequent military interventions in the politics. Whenever their corporate interests are at stake, military is bound to intervene directly. This has become the common practice of military in Pakistan with the course of time [1].

Donald L. Horowitz [8] argues in his article on "Coups theories" that the more recent conception explaining the motive behind the coup is that the armed forces have become 'trade unions' looking out for their own interests. The military goes for a coup only when these interests are affected or their corporate interests are in danger. The same seems to be the case with the Pakistan military. Pakistan military has become an industry rather than a trade union that is competing with the rival industries to establish its hegemony. Eric A Nordlinger [10] in his article on "Coups D'état" has very wittily defined coup as an act "purposefully undertaken in order to achieve consciously formulated goals, with an awareness of the possible costs and risks involved" [10]. And in explaining the motive behind a coup, he says that the most common motive would be the corporate interests. He also mentioned some instances which lead to military interventions. First are the budgetary issues, whenever a civilian government cuts back the military expenditures that government is subject to intervention. As the case in Peru in 1912 and 1964 [10]. Secondly, whenever the military autonomy is threatened, military intervenes to get it back. It is threatened by interfering in internal matters of military, which in turns undermine the capability of military to defend their corporate interests. The Egyptian monarchy was overthrown in 1952 because of interference in military affairs [10]. In Pakistan the Government of Benazir Bhutto in 1990 were dissolved in coup-like manner for very same reasons. Later the government of Nawaz Sharif was overthrown by coup led by General Musharraf largely for interfering in military matters. This shows us that corporate interests are vital to militaries throughout the world.

### 3Structure of the Milbus

The remaining part of the paper will discuss the structure, expansion and future of internal economy, which is largely based on the book "Military Incorporation" written by Ayesha Siddiqi [1], because she is the only one who has carried out such a detailed study on the military internal economy of Pakistan. The Pakistan military internal economy operates in three different segments. These segments are agriculture sector, manufacturing sector and service sector. These segments are controlled at three different levels. At the apex is the Ministry of Defence (MoD), which runs all the operations and this ministry, is composed of senior military generals. The military internal economy extends beyond the four main foundations like Fauji Foundation (FF), Shaheen Foundation (SF), Bahria Foundation (BF) and Army Welfare Trust (AWT) and large part of this economy remains hidden to this day because of lack of lack of transparency. As mentioned earlier the MoD is the main authority in defence establishment, which controls four main parts of the internal economy, these are three service headquarters of Army, Navy and Air Force, the department of Military Land and Cantonment, the FF and the paramilitary force known as Rangers. Although MoD is at the top, it is the administrative head; all the services operate their foundations independently of the MoD. The military internal economy operates at three distinct levels as mentioned earlier, these are: organization level, subsidiaries level and members level. At Organization level military directly control the profit making processes. In this level, Army directly controls three public sector organizations namely the National Logistic Cell (NLC), the Frontier Works Organization (FWO) and the Special Communication Organization. Besides these there are cooperative, which are small and medium sized enterprises run by the generals in the MoD. At the Subsidiaries level, MoD controls the four foundations mentioned above. Although military generals refuse that these foundations are used for commercial ventures, but the hierarchy and command control of these subsidiaries is sufficient enough to refute these claims. Finally at the Members level, the retired generals establish patron-client relationship with the regime to get personal benefit and profit is distributed among them. In 1990, a lawyer named WahabulKhairi filed a petition in the

Supreme Court against the subsidiaries who were private ventures using the name of the armed forces and he also accused these of corruption. He urged the court to ban all these foundations but the case was dismissed on technical grounds. But the case did raise the issues of corruption and the name of armed forces being used by these organizations for profit making [1, pp. 112-128].

The military internal economy started with the formation of Fauji Foundation in 1954. The funding was received from the British post-War Reconstruction Fund. It was allotted for the war veterans of the Second World War. But the Pakistan military instead invested it to form Fauji Foundation. The motive as told by the military behind this foundation was the welfare of the ex-military personnel. This foundation invested the money in various industrial units that had high consumer demand, like sugar, textile and tobacco. This foundation was facilitated by the Ayub's regime and provided funds by the government. It was exempted from taxes until 1970. It expanded and set up a network of industries and today it is one of the major taxpayer of the country. About 80 to 90% of the employees of this foundation are serving military personnel and rest are retired. This expansion came under a shock in the Bhutto's regime. Bhutto's nationalization policies and his harsh attitude towards army and bureaucracy have suspended the expansion of military's commercial empire. After Bhutto was hanged, Zia came to power and it was in his regime the military internal economy has expanded at its best. Several new provisions, projects and foundations were started. He obtained legitimacy by aligning with the religious groups [1, pp.129-150].

After the death of Zia, democracy was restored and civilians were back in power. But it could not reduce the economic stakes of the military. Military dominance continued to exist with its economic empire. In fact the politicians started to provide the military with the economic opportunities in order to keep them at bay. This resulted in the further expansion and prosperity of the military internal economy. It was the phase of "civil military politico-economic integration". And the interference of the politicians in any matters pertaining to military was threatened with a military intervention. Sartaj Aziz, who was Finance Minister in the Nawaz Sharif government commented that the main problem for us to minimize the political power of the military, had we tried to curb the economic power as well, it would have led to the military intervention. ElahiBux Soomro, a former Speaker of the National Assembly shared the same view. According to him the military internal economy was a no go area for politicians, it was like a 'bee hive', touching it would have grave consequences. Although military was in the barracks from 1988 to 1999, the real authority was in the hand of military. In fact whenever interests of the military were threatened by the government, it was subject to dissolution. There were four governments in that period and the average time they spent in office was two years.

In the year 1999, military came back exercise direct power. Nawaz Sharif's government was overthrown by military intervention led by General Pervaiz Musharraf. He referred to this intervention not as a coup rather a countercoup in his book [9]. It was the inability of the previous government to understand the link between the political and economic power of the military. Musharraf regime is regarded as best for the military because of his organized policies. He devised the National Security Council, which was comprised all the senior military generals. It gave an equal opportunity to all the stakeholders to perform in the decision making at the top. Moreover, it gave a free hand to the military to pursue their economic interests. For example, several army units opened their own gas stations and others opened shops to lease out and bakeries. This resulted in the further expansion of the invisible military's commercial empire.

#### **4 Conclusion**

The future of the military's internal economy is tied with the national security agenda. The defining feature of that agenda is India, which is perceived as a threat to national security of Pakistan. Because of the 1948 Kashmir issue, Pakistan has devoted a large chunk of its national budget to Defence Establishment. With the passage of time military has developed its own commercial empire and indulged in profit making. This has further increased the power of military, now military has political autonomy as well as financial autonomy. And this autonomy is not going to change until there is a change in our national security agenda with regards to threat perception from the neighbor state.

As it is already mentioned that the focus of this paper would be to raise the point that military interventions in Pakistan are not only because of the weak political institutions, but also because of the corporate interests of the military. It was observed that countries with bad human development indicators are more prone to military rule. In this paper we discussed that the Pakistan's civil military relations can be characterized as the Parent-Guardian Military type, in which country's economy is central to the military. This paper also discussed the military's internal economy or the Milbus, which is the capital used for the personal benefit of the top echelons of the military. And this military's internal economy has empowered the state to exercise its hegemony with even great vigor. Because of the financial autonomy military can have the authority even when they are in barracks. In the end we discussed that the future of Milbus, that as long as the threat of India persists, it will continue to grow.

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