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BUSINESSMEN IN ARMS

HOW THE MILITARY AND OTHER ARMED GROUPS
PROFIT IN THE MENA REGION

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How the Military and Other Armed Groups Profit in the MENA Region

Elke Grawert and Zeinab Abul-Magd

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List of Abbreviations and Acronyms

Advanced Industries of Arabia	AIA (Jordan)
al-Qaeda in the Arab Peninsula	AQAP
Arab Organization for Industrialization	AOI (Egypt)
Army Welfare Trust	AWT (Pakistan)
Association of Independent Industrialists and Businessmen	MÜSİAD (Turkey)
Bahria Foundation	BF (Pakistan)
Central Bank of Iran	CBI (Iran)
Central Government Expenditure	CGE (Pakistan)
Development Investment Projects fund	DIP (Jordan)
Egyptian Pound	EGP
Fauji Foundation	FF (Pakistan)
Foundation for Strengthening the Turkish Armed Forces	TSKGV (Turkey)
Free Syrian Army	FSA (Syria)
Frontier Works Organization	FWO (Pakistan)
General National Congress	GNC (Libya)
Global Militarisation Index	GMI
Gross Domestic Product	GDP
Import Substituting Industrialization	ISI (Turkey)
International Monetary Fund	IMF
Iran Revolutionary Guard Corps	IRGC (Iran)
Islamic Front	IF (Syria)
Islamic Revolutionary Guard Corps	IRGC (Iran)
Islamic State of Iraq and the Sham (the Levant)	ISIS or ISIL
Islamist Welfare Party	RP (Turkey)
Joint Integrated Units	JIU's (Sudan)
Justice and Development Party	AKP (Turkey)
Justice Party	AP (Turkey)
King Abdullah II Design and Development Bureau	KADDB (Jordan)

King Abdullah Special Operations Training Center	KASOTC (Jordan)
Middle East and North Africa	MENA
Middle East Defense & Security Agency	MEDSA (Jordan)
Military Economic Corporation	MEC (Sudan)
Military Economic Corporation	MECO (Yemen)
Military Industry Corporation	MIC (Sudan)
Milli Güvenlik Kurulu (National Security Council)	MGK (Turkey)
Motherland Party	ANAP (Turkey)
National Congress Party	NCP (Sudan)
National Defense Council	NDC (Yemen)
National Intelligence Service of Sudan	NISS (Sudan)
National Islamic Front	NIF (Sudan)
National Logistics Cell	NLC (Pakistan)
National Service Products Organization	NSPO (Egypt)
National Transitional Council	NTC (Libya)
Nongovernment Organisation	NGO
Nonstate Armed Groups	NSAGs
Nonviolence Movement	NVM (Syria)
Pakistan Ordinance Factories Foundation	PoFF (Pakistan)
People's Defense Forces	PDF (Sudan)
People's Protective Units	YPG (Syria)
Rapid Support Forces	QUDS (Sudan)
Rapid Support Forces	RSF (Sudan)
Shaheen Foundation	SF (Pakistan)
Special Communication Organization	SCO (Pakistan)
Special Operations Forces Exhibition and Conference	SOFEX (Jordan)
Sudan Armed Forces	SAF (Sudan)
Sudan People's Liberation Army-North	SPLA-North (Sudan)
Sudan People's Liberation Movement/Army	SPLM/A (Sudan)
Sudan Revolutionary Front	SRF (Sudan)
Supreme Council of Armed Forces	SCAF (Egypt)
Supreme Council of Armed Forces	SCAF (Sudan)
Supreme Military Command	SMC (Syria)
Supreme Security Committee	SSC (Libya)
Syria Islamic Liberation Front	SILF (Syria)
Syrian Arab Army	SAA
Syrian National Council	SNC (Syria)
Transitional Military Council	TMC (Sudan)
Turkish Armed Forces Assistance (and Pension) Fund	OYAK (Turkey)
United Nations High Commissioner for Refugees	UNHCR
Virtue Party	FP (Turkey)
Yemeni Economic Corporation	YECO (Yemen)

Foreword

Coercion is increasingly central to the political economies of the Middle East and North Africa (MENA). Its states may be the most militarized of those in any global region. Those states are also characterized by sprawling security and intelligence agencies. Paralleling accelerating growth in these state agents of coercion, especially in the wake of the “Arab Spring,” has been the rise of nonstate armed groups (NSAGs). Some are linked to, while others oppose, the states in which they are operating. Still others operate transnationally and explicitly oppose the region’s present state configuration and even statehood itself. This proliferation and intensification of coercion and of the agencies implementing is neither predicted nor adequately explained by available conceptual frameworks. Most existing conceptualizations have evolved from a previous era’s theorizing about the sociology and politics of militaries. These have been informed empirically primarily by civil-military relations in Western democracies and/or Latin America. While the fit of this theorizing with MENA realities has never been perfect, recent developments have made it abundantly clear that the region’s empirical realities have bulged so far out of existing theoretical frameworks that new tailoring is required.

Businessmen in Arms is just such an undertaking. It is addressed specifically to the vital relationship between coercive power and material wealth. This nexus, which has long been at the heart of MENA political economies, received little attention in the civil-military relations literature informed by other regions’ experiences, where capital is typically autonomous from or even dominant over political/coercive power. The extension of militaries into MENA economies, which intensified in the 1980s and then again in the wake of the “Arab Spring,” has been widely noted, but its causes and consequences have heretofore not been systematically compared nor drawn upon in the effort to articulate a framework with which better to understand

civil-military relations in the MENA. Nor has the more recent phenomenon of direct and/or indirect, systematic capture of material resources by NSAGs or by states' coercive agents, which results primarily from state decay, been adequately described, let alone theorized. This book addresses both these lacunae. By so doing it provides a rich body of empirical information coupled with suggestive hypotheses to account for similarities and differences between the region's state and nonstate coercive actors, while helping us to begin to understand how and why the nexus between coercion and capital accumulation is so central to MENA political economies. In the remainder of this foreword, a few of the book's most relevant themes will be briefly noted.

What might be termed the emergence of a Frankenstein military economy may be the most recurrent theme running through the chapters on state-based militaries. Regimes in the Arab republics of Turkey and Iran initially breathed financial life into their respective "Military, Inc." monsters out of mixed motives, key of which was coup proofing. Endowed with the gift of financial autonomy and provided guaranteed life support by a robust drip-feed of state resources, these militaries spawned sprawling enterprises, which in turn assisted the efforts of those armed forces to subordinate or even devour, as in Egypt and Pakistan, the very regimes that first created those Frankenstein military economies.

The consequences for the position of the military in national political economies, for military capacity, and for national economic performance have been profound. Material growth and reward have supplanted national security as the *raison d'être* of these armed forces and their officers. As the authors of the various chapters contend, the political and class alliances of militaries have changed in tandem with the evolution of their mission from fighting to enrichment. Increasingly allied with state and private upper bourgeoisies, militaries have subordinated workers, peasants, and lower bourgeoisies in whose name they seized power in the immediate postcolonial era. Formerly champions of import-substitution industrialization, militaries have embraced at least some elements of neoliberalism, including the need to forge business relationships with global economic actors, whether from the East or West. Accompanying this distorted globalization has been the shift from dependence based on Cold War-generated rents to those that flow from security assistance predicated on alleged shared interests in combating terrorism. Those relationships, again whether with East or West, have been vital not just to the further growth of military economies, but to the military's marginalization of civilian organizations and institutions. The primary antithesis to the thesis of militarization of economies and polities is Islamism in its various forms, it being virtually the only movement capable of giving voice to those marginalized by militarization and the accompanying political and economic stagnation. The rise of Islamism has in turn reinforced

the claims of militaries to be the sole force capable of containing the jihadi threat, thus presenting foreign backers with a Hobson's choice. Except in the cases of Turkey, where the West backed the AKP against the military, and Egypt after 2011, where the United States in particular willingly accepted the Muslim Brotherhood's rise to power, the West has chosen to support armed forces in preference to civilian organizations and institutions. This has in some cases been interpreted by militaries as literal licenses to kill their civilian opponents, as the cases of the Bhuttos in Pakistan and Muslim Brothers in Egypt suggest. In virtually all these countries, civilian political actors have been neutered, as attested to by the means of return to civilian rule in Pakistan, where General Musharraf was forced from power not by an organized political movement, but by the judiciary, the sole remaining coherent civilian institution.

The volume provides ample evidence of the negative impacts on national economic performance of the empowerment and embourgeoisement of militaries, as well as indications of the deleterious effects on their discharge of security duties, which is, of course, the justification for that empowerment and accompanying enrichment. It also provides evidence in support of the proposition that patronage is steadily supplanting professionalism within these armed forces, thus further undermining an already precarious institutionalization.

Within this broad characterization of civil-military relations in the MENA countries under consideration there is considerable variation in detail. In Iran, for example, the Islamic Revolutionary Guard Corps (IRGC) is portrayed as a less-dominant political and economic actor than are militaries now in Egypt, Pakistan, Jordan, and Sudan and formerly in Turkey, Yemen, and Syria. The Iranian political system is comparatively complex, providing counterbalances to the IRGC and other armed forces. The state of Pakistan was from its creation virtually an extension of the military, so its penetration of the national economy is deeper and broader than elsewhere. The Turkish and Iranian militaries have taken direct control of financial institutions, suggesting their development of a type of military financial capitalism, whereas armed forces in the Arab republics and Jordan have neither created banks nor listed their companies on stock exchanges. These Arab military economies have thus not graduated from industrial to finance capitalism. In Yemen and Sudan, state institutions, including the military, are less coherent, with tribal and regional loyalties having undermined the state to the point of secession, threatening to leave Yemen's reunification a temporary phenomenon and to further fragment the unity of (northern) Sudan. Moreover, a greater proportion of resources captured by these two countries' militaries appears to derive from autonomous unit action, such as through smuggling and trafficking, than it does in the more corporate MENA militaries.

All the military economies described in the book are a mix of directly owned and operated enterprises; firms controlled through subsidiaries, such as pension funds; so-called officer economies, meaning businesses established by retired officers engaged primarily in subcontracting to the military economy or the civilian state; and direct seizures of assets through illegal activities. But the mix varies substantially from country to country. So, too, does the degree of centralized control by ministries of defense or their equivalent. In some cases, such as Pakistan and Turkey, many units within the armed forces have their own business enterprises that operate autonomously, whereas in others central control is asserted by the high command, typically concentrated in ministries of defense, over all military-controlled enterprises. As for relations between the military economy and the “national bourgeoisie,” they are generally mutually beneficial but vary in intensity across and within any given country over time as the two contest for market shares and external partners. Finally, land and specific types of economic undertakings, such as cement production, which benefits from energy subsidies, lack of pollution controls, and natural protection from imports, are of importance in most of the military economies under study, albeit in different manners and magnitudes.

The volume also provides insights into particular cases that invite speculation as to their relevance elsewhere. The steadily expanding Jordanian military economy, for example, appears to be impelled and structured by the need for royal patronage to sustain officers’ loyalties, reflecting the continued political preeminence of the king. Presumably this relationship also obtains in Morocco, another personal rather than family dynasty, so lacking kinsmen to serve in the armed forces. But whether nascent military economies in the GCC family dynasties serve an equivalent function or the need for such patronage is obviated by sons, cousins, and uncles serving as officers, is the type of comparative question that this volume stimulates. Similarly, the issue of how militaries and security/intelligence services divide the share of the nation’s economic pie they control is alluded to in several of the country studies, thus inviting more systematic comparison. Yet another phenomenon suggested by the work for future comparative analysis is the ways and means by which militaries sought to counter the “Arab Spring” upsurge of marginalized forces, in part because such an upsurge is ongoing in some countries and likely to recur in others.

The book also addresses the roles of NSAGs in Yemen, Libya, and Syria and their relations with surviving state institutions as they compete for control over resources. Of particular interest is the observation that these residual states can, and at least in Libya and Yemen, do, serve NSAG interests in that they channel resources to them. Rump national militaries and NSAGs also coexist, as in the case of Iraq, which is not analyzed in the book, suggesting

that it would be misleading to dichotomize into state or nonstate all MENA military economies.

In sum, this volume provides substantial foundations upon which forthcoming studies of MENA civil-military relations can be based. Most importantly, it demonstrates the centrality of material resources to those relations, a fact that has heretofore not been as central to the study of those relations as it needs to be.

Acknowledgments

The idea of this book started from a two-year research project on Arab militaries as economic actors that brought the editors together in 2012. The project included field and archival research on four Arab armies, those of Egypt, Syria, Jordan, and Sudan, to investigate how their economic interests influenced the way they reacted to the “Arab Spring” uprisings in 2011. The project as well as the book production was funded by the Volkswagen Foundation, which had approved our research proposal “Understanding the Role of the Armed Forces during the Arab Spring and Thereafter” within its funding initiative for pilot research projects in social and media sciences on the developments in the Arab region. We express, first of all, our deep appreciation of the Volkswagen Foundation for its financial support of the research, as well as for its patience with all the modifications the team made during the project. We also would like to extend great thanks to the scholars who participated in the project, namely Salam Said, Walid Abu-Dalbouh, Atta El-Battahani, Afag Mohammed Sadig, and Ahmed Khalifa. We are greatly indebted to them. Especially the lively discussions about the first findings on the enterprises of the military and the emerging proliferation of nonstate armed groups during our project workshops in Amman (June 2012), Aswan (January 2013), and Bonn (June 2013) helped a lot to develop the concept of this book. Special thanks have to be extended to each author of this book, who came and contributed most valuable ideas and insights during the final project workshop in Bonn (October 2014), and Shana Marshall already in Aswan. We are also very grateful to scholars who commented on papers we presented during panels and workshops in Europe, the United States, and the Middle East to share the findings of this project and to develop this book, in particular during conferences of the Mediterranean Program in Mersin and MESA in New Orleans (2013), and BRISMES in London (2015). We would

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Introduction

Political Economy of the Military and Nonstate Armed Groups in the Middle East and North Africa

Elke Grawert

“Bread, freedom, dignity” had been the demands of the masses of people who rose up to oust the corrupt, repressive military or military-backed regimes¹ in the Middle East and North Africa (MENA) in 2010 to 2011. The words of this slogan revealed deep frustration in society about the economic, political, and moral decay of state-society relations in the countries of the region. However, the emerging spirit of optimism toward a new social contract² with freely elected civilian rulers after the fall of the long-standing presidents of Tunisia, Egypt, Libya, and Yemen soon receded. In the years following the eruption of the “Arab Spring,”³ societies in the MENA region had to cope with even more economic hardship, setbacks in political reform processes, rapidly deepening divisions within societies, and increasing violence.

The MENA region is one of the most militarized regions in the world, with thirteen countries in ranks 1 to 30 of the Global Militarisation Index (GMI),⁴ measured by military spending in relation to gross domestic product (GDP) and health expenditure (cf. Appendix C, Table C.1). Severe violence of various state security forces against citizens and frequent incidences of torture are rampant in the region (see Appendix C, Table C.2). The response of the military to the popular uprisings of the “Arab Spring” in Tunisia, Egypt, and Yemen, where it had refused to turn against the masses and thus helped oust the presidents in 2011 to 2012, brought to light that within the armed forces, there have been different factions with different interests.⁵ In both countries, a strong faction of the military had withdrawn support for the president, indicating a loss of regime legitimacy and an erosion of the ruling bargain.

One year after the beginning of the “Arab Spring,” in 2012, the governments of Syria, Yemen, Libya, and Sudan were at war with nonstate armed groups (NSAGs). The violent domestic conflicts developed regional dimensions, most significantly in Syria in 2014. It is important to note that