Economic interests and the political behavior of militaries in a comparative perspective

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by

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Abstract

When popular uprisings and social unrest lead to regime-change, the political behavior of the military is key to understanding the outcome. Civil-military relations literature suggests that the institutionalization and professionalization of the military are primary factors in explaining the military’s propensity to intervene. However, little attention has been paid to the role of economic interests and how it shapes military leaders’ decision-making. This paper casts new light on the discussion of the military’s role in shaping outcomes of regime-change by exploring this through an economic lens. Hence this paper attempts to answer the key question: How does the military’s economic interests affect its political behavior? To explore these questions, this paper compares the cases of Egypt and Turkey, two prominent examples of military intervention into politics and of military predominance over civilian affairs. Preliminary findings suggest that the military’s economic interests played a defining role in the decision-making process in both countries. Finally, this paper offers a framework for analysis from which to explore other cases in the Middle East and beyond.
Introduction

When popular uprisings and social unrest lead to regime-change, the political behavior of the military is key to understanding the outcome. The literature on civil-military relations suggests that the institutionalization and professionalization of the military are primary factors in explaining the military’s propensity to intervene. Institutionalization of the military occurs when the military elite develops a corporate identity that is separate from the state and the commitment is to the greater public good rather than personal enrichment. Eva Bellin (2004) argues that an institutionalized military will foster some tolerance for democratic reform, because reform will not be perceived as a threat to the military organization and its institutional integrity. An institutionalized military might not intervene to protect the status quo.

Professionalization is defined as the transformation of the military into a group of experts with corporate interests, access to resources, and objectives to pursue. It increases the likelihood that the military as an autonomous social group will develop different interests and objectives than those of society at large. Yet, there is little consensus in the literature on the effect of professionalization on the military’s propensity to intervene. Some scholars argue that professionalization increases the possibility of praetorian intervention in politics, due to the advanced training and increased responsibility of the military (Abrahamsson, 1971; Finer, 1988; Janowitz, 1977). Others argue professionalization reduces the likelihood of politicization of the military due to the development of a corporate culture and civilian oversight (Huntington, 1957; Welch & Smith, 1974). Abrahamsson (1971) offers a more refined conceptualization of professionalization by dividing it into two processes: (1) the emergence and historical transformation of the military establishment, and (2) the homogenization of outlooks and behavior (Abrahamsson, 1971, p. 151).

While there is general agreement that for revolutions to be successful, there must be military support for the revolutionary cause (Brinton, 1965; Calvert, 1970; Chorley, 1943; Le Bon, 1913; Russell, 1974; Smelser, 1962). There is little consensus in the literature as to under which conditions politicization of the military is more likely to occur or exactly which factors contribute
to the politicization of the military and the onset of praetorian intervention in state politics. The literature on politicization of the military is divided among two major fault lines: Those that are preoccupied with civilian manipulation of the military for their own purposes (Bellamy & Edmunds, 2005; D. N. Nelson, 2002; Watts, 2002) and those who are preoccupied with politicization as military intervention in domestic politics (Huntington, 1968; Janowitz, 1964; Kamrava, 2000; Khan, 1981).

Politicization is a process that evolves from the historical evolution of a particular social group and the political context within which it exists. These will naturally be different in each case, as all countries and social groups have histories and trajectories that are unique to them at the micro-level. However there are still common denominators that can be teased out through comparative analysis, which may shed light on the dynamics of similar processes and their outcomes at the macro-level. For the purposes here, politicization is closely linked to the ability to politically mobilize in an attempt to protect the status quo, e.g. authoritarian structures, or to create political change, understood as political modernization, i.e. the process of moving from a traditional authoritarian structure towards democracy.\(^1\) While much has been written about the effect of politicization on militaries, little attention has been paid to the role of economic interests and how it shapes military leaders’ decision-making.

This paper casts new light on the discussion of the military’s propensity to intervene in politics during popular uprisings by exploring this through an economic lens. Hence this paper attempts to answer the key question: How does the military’s economic interests affect its political behavior? To explore these questions, this paper compares the cases of Egypt and Turkey, two prominent examples of military intervention into politics and of military predominance over civilian affairs. The case selection is based on similar outcomes, military intervention in different scenarios. While both militaries are considered guardians of the nation, the political systems were different. Whereas Egypt was an authoritarian state, Turkey was in this time period experimenting with a multi-party system and the trappings of a democracy. Meaning the political landscape was

\(^1\) Democracy must at minimum include evidence of institutional development, that is collections of agreed norms, rules, regulations, and practices that govern the conduct of political, social, and economic affairs (Leftwich, 2005).
more complex and had some legitimate civilian actors involved in decision-making. Yet still, Turkey’s military intervened three times between 1960 and 1980, while the Egyptian military has intervened twice in 2011 and 2013. Preliminary findings suggest that the military’s economic interests played a defining role in the top military commands decision-making process on intervening in the two cases. Tracing the process by which the military in the two cases became an economic actor helps Finally, this paper offers a framework for analysis from which to explore other cases in the Middle East and beyond. The following sections will trace the interaction between the economic interests of the militaries studied here and their political behavior. Followed by a section of cross-analysis to tease out the broader implications. Finally I will discuss how this framework might inform other cases and offer suggestions for further research.

Turkey

The Turkish military has a long history of political prominence in both the Ottoman empire, as well as in the new Turkish republic under the Kemalist system. The economic interests of the Turkish military have not been given much scholarly attention, yet present an important factor in the analysis of the political behavior of the Turkish military. During the three periods of military rule 1960-1984, the officers in charge were influencing economic policy without dictating the details of policy making. Realizing their incapacity to understand the depth of economic policy, they would appoint technocrats to handle this aspect of state governance.

A primary area of economic interest for the military had been arms development. The Turkish General Staff was also traditionally in charge of the acquisition of weapons systems without civilian involvement (Cook, 2014). This gave the military establishment a significant stake in the economic health of particular companies and sectors. Many public pension systems follow this type of investment scheme. The difference is that the military also controls the state’s instrument of violence. Yet in view of the Turkish military’s broad definition of national security, this essentially made the Turkish officer corps an economic actor in Turkish politics (Cook, 2014). The 1960’s coup brought a new economic phase to Turkey with focus on planning and import substitutions industrialization to fight the impending economic crisis, similar to the Latin American cases. This was supported by the intelligentsia, the CHP, and was attractive to both the
military and the civilian bureaucracies due to its nationalist overtones, while avoiding the loose economic policies pursued by the now ousted Democratic Party (Barkey, 1990, pp. 60–61).

The first major change in the military’s economic appropriation occurred after the coup in 1960. Realizing that the economic grievances of junior commanders had played an important role in prompting them to undertake the coup, steps were taken to avoid this in the future. The military established the Army Mutual Aid Association (OYAK) as an insurance system for members of the officer corps and civilian employees of the Ministry of Defense to obtain subsidized mortgages and other loans. According to Akça (2010, p. 9) Oyak “operates as a compulsory savings institution, a supplementary social security and welfare organization, and a holding company. The board of representatives consists of 50 - 100 members, all of which are military officers. The 40-person assembly only holds 9 civilian members. Four of the seven board of directors have been military officers since 1976. In sum, Oyak is for all intents and purposes an exclusively military institution. It serves and is served by the Armed Forces. A mandatory 10% of salary contribution from its permanent members and 5% from Reserve Officers is invested into a variety of industrial and financial ventures (Oyak Law, 1961 Art. 18.). While NCO’s are obliged to contribute as temporary members, they are not entitled to any returns on their savings (Akça, 2010). Oyak is an independent legal entity administratively attached to the Ministry of Defense (Oyak Law, 1961 Art. 1.). There are no restrictions on how Oyak chooses to manage its assets. According to its charter, its core function is to act as a holding company. Given its membership and decision-making structure, it is reasonable to consider it a military holding company.

During the period 1960-1980, Oyak experienced a sharp increase in its net worth as a result of the protectionist policies of the import substitution strategy (Akça, 2010).² It invests in both the industry sector and the financial and services sector. The majority of investments are concentrated in the automotive industry, the cement industry, and the iron-steel industries. It also has investments in energy, mining, agricultural chemicals, food, construction, transportation-logistics, domestic-foreign trade, private security, IT, and tourism. One of the companies of importance to

² Oyak reports total assets of $18.3 billion as of 2017.
the military was Turk Telecom, a public sector company with monopoly on telecommunications at that time (Cook, 2014). Oyak outright owns twenty-nine of the sixty companies in its portfolio (Akça, 2010). In short, it touches every aspect of the Turkish national economy. Being the fifth largest holding company in Turkey, it gave the military a personal stake in economic policy. It enjoys several legal privileges, such as tax exemption and the cost-free cash stemming from the mandatory member contributions, which gives it a distinct economic advantage. Moreover, Oyak property is designated as state property, which protects it from confiscation. Finally, its relationship with its members is placed under the jurisdiction of the military administrative courts. Providing it with de facto immunity from reproach from its members (Akça, 2010).

There was an attempt to install economic measures to move Turkey away from ISI in 1970, but intra-party and state-business bargaining got in the way and caused even greater divisions within the political arena. The 1971 coup by memorandum further derailed the idea by forcing the resignation of Demirel and his government. This left Turkey in an economic vacuum for the next 10 years, leading to an ever worsening domestic climate (Barkey, 1990, p. 156). It has been argued that the coup in 1980 gave the economic program forward momentum as it unraveled the political deadlock. By the late 1970’s, import-substitution industrialization had outlived its usefulness, and Turkey was experiencing low economic performance, low foreign currency reserves, and a balance of payment crisis. Turkey needed a new economic plan. Neoliberal reforms were pushed for by outside partners, particularly the IMF and the World Bank.

Part of the military’s economic plan following the coup was to guarantee the implementation of neoliberal reforms to resuscitate the economy and hopefully alleviate the grievances that had contributed to the violent protests and political instability of the previous decade (Cook, 2014). Some even argue that it was a necessary move in order to not only guarantee political stability, but also to support the newly instituted economic reforms, the January 24-1980 measures (Barkey, 1990). The fact that the reforms were instituted by civilian leaders, and not by the new military rulers, marks a significant difference from the Latin American experience. Yet the success of these economic measures were not guaranteed given the volatile political situation. Although the military claimed they did not intervene to restructure the economy, they were not
indifferent to it. In fact, it has been speculated that economic issues played an important role in the General Staff’s calculations to intervene in 1980 (Akça, 2010; Barkey, 1990). The economic deterioration had impacted the military through reduced imports of military hardware and supplies, which had forced them to cut training programs and the use of ammunition. Continued stabilization of the economy was very important to the military, as evidenced through the early proclamations (No.5) following the coup, stating that the January 24, 1980 stabilization measure would be continued. The NSC even picked Turgut Özzal as Deputy Prime Minister.3

Even with the many political and economic changes that have taken place in Turkey over the last 2 decades, since the last real coup in 1997, the military-industrial complex has continued to grow. Between 2004 and 2008, the research and development spending in the military industry increased from 64 million dollars to 228 million dollars (Akça, 2010). Oyak total worth was estimated to be 15 billion dollars in 2015 with an estimated 3.3 billion dollars in annual exports (“Turkey’s latest ‘civilian coup,’” 2016). However, 2015 also became the year in which President Tayyep Erdogan’s campaign to weaken the military’s political role extended to Oyak. The sudden resignation of the CEO, along with four of his deputies and the CEO’s of major subsidiaries raised the question of whether this was a purge or mere coincidence. Particularly considering that the new CEO, Suleyman Savas Erdem, is a civilian with close ties to the Erdogan regime. There is speculation that the long term goal is to dissolve Oyak through privatization.

In sum, over time the social-economic effect of Oyak transformed the officership into a privileged middle class separated by allowing them to adopt the life style of the middle to upper-middle income brackets (Akça, 2010). More importantly, it has transformed the military into an economic actor immersed in socio-economic and socio-political power relationships, in order to preserve its privileges. For it to claim non-partisanship and neutrality in the political sphere rings hollow. In fact, the 1980’s coup and the effort by the military leadership to carry out the neoliberal reforms demonstrates how its economic interests spurred it to political action. The attempted military coup, albeit by a fraction of the armed forces, in July 2016 aside, the absence of a cohesive

3 Turgu Özal was undersecretary to Prime Minister Demirel until the 1980 coup and involved with the economic stabilization plan, including keeping military command informed of the forthcoming measures.
military action to counter this civilian take-over may be a sign that the balance in civil-military relations in Turkey now favors the civilians. Considering the authoritarian moves by Erdogan the civilian take-over is not an indication of a democratizing shift.

Egypt

The creation of modern Egypt is often attributed to Muhammad Ali and the restructuring of a modern army, in order to consolidate his rule (Hashim, 2011; McGregor, 2006). This organization of Egyptian life and economy with the military at its core created a path that would dictate the direction of Egyptian politics and the scope of political actors up until today. The new army became the cornerstone of Ali’s rule and the main driver of the industrialization of the Egyptian economy. Ali relied on a new financial system, based on the creation of monopolies on the export of agricultural production, to enable him to pay for the upkeep of his new expanded army and navy free of the Ottoman empire (Crouchley, 1937, p. 306). Yet the integration of the Egyptian military into the national economy did not occur until Nasser expanded the military economy in the mid 1950’s to include leading infrastructure and land reclamation projects. The military economy had traditionally only focused on providing the armed forces with the goods it needed to function (Ottaway, 2015).

The Egyptian economy had been in a slump since the defeat in the 1967 war. When Anwar Sadat came to power in 1970, he had plans to reform the economy to expand the private sector. The change in Egyptian foreign policy towards peaceful relations with Israel compelled Sadat to find a way to keep the large and restive Egyptian armed forces occupied. As part of his strategy to depoliticize the military, Sadat turned toward a further expansion of the military economy. This was a deliberate move, as Sadat feared that the end of hostilities with Israel and the external focus of the Egyptian Armed Forces (EAF) could threaten his power. This move was meant to turn the EAF away from the center of political decision-making. He also created the Central Security Forces (CSF) in 1977 to strengthen the regime, while purging the government of Nasserists. Where the balance between the private sector and the state sector had heavily favored the state sector under Nasser, Law 43 of 1974 launched Sadat’s infitah (open door policy) meant to benefit private entrepreneurs. Three years later, Law 32 amended Law 43 to allow the military to enter into
partnerships with both domestic and foreign investors (Ottaway, 2015). This greatly expanded the military’s economic activities. Although, in part devised to depoliticize the military, the expansion of the military economy would re-politicize the military as it became a major economic actor.

The military economy includes three major military bodies with economic goals. The National Service Products Organization (NSPO) was created under Sadat in 1979. It specializes in civilian manufacturing, farming, and services. The Ministry of Military Production (MOMP) consisted of eight manufacturing plants with 40 percent of their production sold on civilian markets. Finally, the Arab Organization for Industrialization (AOI) produced 70 percent of their goods at 11 factories and companies (Abul-Magd, 2013). These goods were also sold on civilian markets. Once Hosni Mubarak became president in 1981, he continued the depoliticization strategy through a steady expansion of the military-business complex. The military’s economy steadily grew to include gas stations, hotels, supermarkets, parking lots, transportation and shipping companies to mention a few (Abul-Magd, 2017). The oil and gas sector has been highly militarized as well, with many retired generals running oil and gas companies. Furthermore, the prominent position as head of the Suez Canal has traditionally been reserved for the retired military chief of staff. Although not prevalent in cabinet positions outside the defense ministry, retired military officers are prevalent in local politics. In 2011, 18 out of 27 provincial governors were retired army generals and colonels (Abul-Magd, 2013, p. 2).

Mubarak mostly relied on the CSF for domestic riot control, but in 1986 he had to ask the military to intervene in the CSF conscripts’ riots. They did so reluctantly, followed by immediate retreat to the barracks. The military and the Mubarak regime were for the most part aligned, yet with the grooming of his son, Gamal, to ascend the presidency, the relationship between the military and the regime started to sour. The election of Ahmad Nazif as prime minister in the 2004 elections led to an intensification of the privatization tide. The increased privatization and Gamal’s rise to power posed a threat to the military’s business complex, as new development projects,
particularly the Suez Canal expansion and Toshka land reclamation projects, were to be led by Gamal and his cronies rather than the EAF. When the election resulted in several businessmen from Gamal’s network gaining government positions, it pointed to a shift toward a new economic elite, separate from the military sphere. While the military’s business complex was still prominent, they were not part of the new big construction projects. As their role in the state economy started declining, Mubarak’s usefulness to the military diminished.

While a gap between the presidency and the military emerged, there was at least a symbolic connection, as all three former presidents came from the military. This changed with the rise of Gamal Mubarak, who did not have a military background, and a new social class of Muslim businessmen. The emergence of a new ruling class not connected to the military posed a threat to the military’s continued economic prosperity, as the civilian elite was undercutting the military in new business ventures. Furthermore, it was viewed by other segments of the ruling class as a power grab by the Mubarak family. In a climate of high unemployment and neo-liberal policies that were threatening vital food and oil subsidies, the middle class looked to the military for leadership. At the point where the grievances of the middle class struck a core with the military’s own concerns it presented an opportunity for the military or SCAF to recenter the military in Egyptian politics (Gotowicki, 1999).

Egypt is a classic example of the positive relationship between a large military budget and an increased interest and influence of officers on politics (Huntington, 1957; D. Nelson, 2002). The actual size of the military economy in Egypt remains a mystery, as the size of their economic holdings and the income derived therefrom is off-budget and has no governmental oversight (Ottaway, 2015). Law 143 of 1981 granted the Ministry of Defense power over state property and “its development for strategic use” (Joya, 2011, p. 372). It is estimated that it controls anywhere from 5-60 percent of the Egyptian economy. The lower end is the percentage usually displayed the military, and the higher end estimates based on its vast holdings. It includes military industries

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4 The Toshka project was devised under Mubarak to develop and irrigate 600,000 acres of land in the Western desert and relocate up to 20% of Egypt’s population. Although the project ultimately failed, as will many of the other grandiose projects, the military’s land holdings make them direct stakeholders in any projects of this nature.
(production of weapons and equipment), civilian industries under the auspices of the National Service Project Organization, a Ministry of Defense subsidiary (consumer goods of all kinds from washing machines to stationary), agricultural goods, national infrastructure (power lines, sewers, bridges, roads, schools, etc.) (Gotowicki, 1999), tourism (hotels, restaurants, wedding halls) (Abul-Magd, 2013), and construction projects (such as the construction of new cities, such as Nasr City outside Cairo).

In sum, the military economy in Egypt has since the 1970’s become completely integrated into the Egyptian national economy to the point where disaggregating the military stake in the national economy is considered impossible. The irony is that the expansion of the military’s economic interests was part of a depoliticizing strategy. Yet rather than pushing the military out of national politics, it pulled it in deeper. As the military’s stake in the economy grew and became entrenched in any new development projects, such as the Toshka Project, any political decision or policy that would threaten the military’s stake in the economy became a reason for the military to intervene. The concern surrounding the possibility that Gamal Mubarak would become the next ruler after his father was concentrated more on the threat it posed to the military’s economic interests, than the fact that it would consolidate the Mubaraks’ hold on power, which was the concern voiced by the people. The revolution in 2011 presented the military with an opportunity to safeguard their economic interests without appearing to intervene uninvited into the politics of the state. It was the perfect guise to secure their interests, while having a legitimate cause to change the power structure of Egyptian politics. This scenario repeated itself in 2013. Although Morsi and the Brotherhood had been careful to stay out of the military economy, their projected plans for the Suez Canal project overstepped the line. The Morsi regime had been negotiating with Qatar over development of the project in a manner that would have excluded the military (Hauslohner, 2014). The Suez Canal is one of the militaries most prized land holdings.

Since Abdel Fattah al-Sisi became president there is no danger to the economic holdings of the military. Instead, it has been consolidated in a law formalizing the military’s role in protecting critical infrastructure. It is worth noting that this used to be the responsibility of the police under the direction of the Ministry of Interior (Gotowicki, 1999). Further evidence that Al-
Sisi is shifting towards a military economy is seen from the presidential decree of issued on May 18, 2015 creating the new Military Production Company for Engineering Projects, Consultancies, and General Supplies (“New military company established with wide mandate,” 2015). This engages the military in projects ranging from schools to hospitals to public relations and advertisement. There is no area of the Egyptian economy that falls outside the spectrum of the military’s reach. Another prominent example is law 18 of 2014 reinforcing the statute ensuring that the minister of defense chosen from the military ranks, specifying that he must have served at least 5 years and must come from one of the major services (Goldberg, 2014). In sum, the strengthening of the military economy under al-Sisi reducing the development of the private sector jeopardizes the possibility that Egypt could return to civilian rule in the foreseeable future.

In conclusion, the attempts by Sadat and Mubarak to exclude the military from politics by investing them in the economy created a greater cause for the military to desire regime-change to ensure its economic interests. Even with the deepening power of the internal security forces and the Ministry of the Interior during this period, the expansion of the military into the economy under Sadat followed by Mubarak’s expansion of its domestic role kept the military relevant as part of the ruling class. In fact, this exclusion may have contributed to the emergence of a sharper sense corporate identity viewed as separate from the interests and goals of civilian society. In sum, the attempt to further exclude the military made it more likely to intervene to ensure continued inclusion in profits.

Cross-case analysis

In this section, it will be argued that the Turkish and Egyptian militaries became more likely to intervene in politics once they acquired a stake in the national economy. The examination of the military’s role as an economic actor and how this affects their political behavior in the two cases here lead to the conclusion that the military economy is a major factor. In Egypt the integration of the military economy into the national economy to the point where some scholars argue that it would be impossible to disaggregate it raises serious concerns. If the military’s role as an economic actor is creating political behavior that favors military intervention, then the idea
that the Egyptian military cannot be separated from economy suggests that the military will always be intervening or even governing.

The Egyptian case represents the most expansive example of military involvement in the national economy. The ousting of Mubarak and Morsi gave the military direct control over the political and economic policies. The evidence from the economic policies of al-Sisi’s regime suggests a consolidation of the military economy for years to come. Leaving little hope that civilians may return to power anytime soon. The military became involved in the national economy following the establishment of the Oyak after the 1960 coup. This move increased the military’s stake in domestic politics. Yet the Turkish military has influenced economic policy through indirect means, as opposed to direct control over the economy, as in the Egyptian case.

Looking at Turkey, the story offers some hope for a resolution of the issue of the military as an economic actor and its propensity to intervene. The military intervened in 1960 due to lack of trust in the politicians and to improve their economic status. The resolution from the military leaders was to prevent more coups by creating Oyak to raise the economic status of the junior officers. This ended up further politicizing the military command. Rather than serving as a depoliticizing factor, it made the military an economic actor with interests in the national economy beyond its traditional scope. Hence, the economic politics of the state became of interest to the military command and influenced their political behavior. This became particularly evident in the late 1970’s and early 1980’s as the military command would supported the implementation of neo-liberal economic policies on the political agenda. Economic considerations played a decisive role in the 1980 intervention and the military even guaranteed that the implementation of the economic restructuring would be off political priority of the new military junta.

Yet, in the Turkish case the military’s stake in the economy was reserved to the military holdings of OYAK, which though significant, could be managed through legislation. At the time of writing, the military’s political role in Turkey is under siege, and several other factors, such as the EU membership prospects and the military’s tolerance for the AKP in the early 2000’s, have
contributed to this outcome. The attempted coup in the summer of 2016 by a small segment of the armed forces was motivated by some of the same factors as the 1960 coup; lack of prestige and the increasing tension between the civilian political forces and the military. For now, the military appears weakened and it will remain to be seen how civil-military relations will evolve from here.

Conclusion

In conclusion, this paper calls attention to the importance of the military economy when considering why militaries intervene in politics. More attention should be paid to the role of the economic interests of militaries when examining their political behavior. While it may not be a sufficient condition in all cases of military involvement, it merits further study as to the endurance of authoritarianism in military states. These findings also inform studies on coop-proofing strategies, in which economic benefits are used as a way to depoliticize the military. As seen from the Egyptian and Turkish cases, involving the military in the economy may have the opposite effect by giving them a keener interest in the politics of the state.
References


